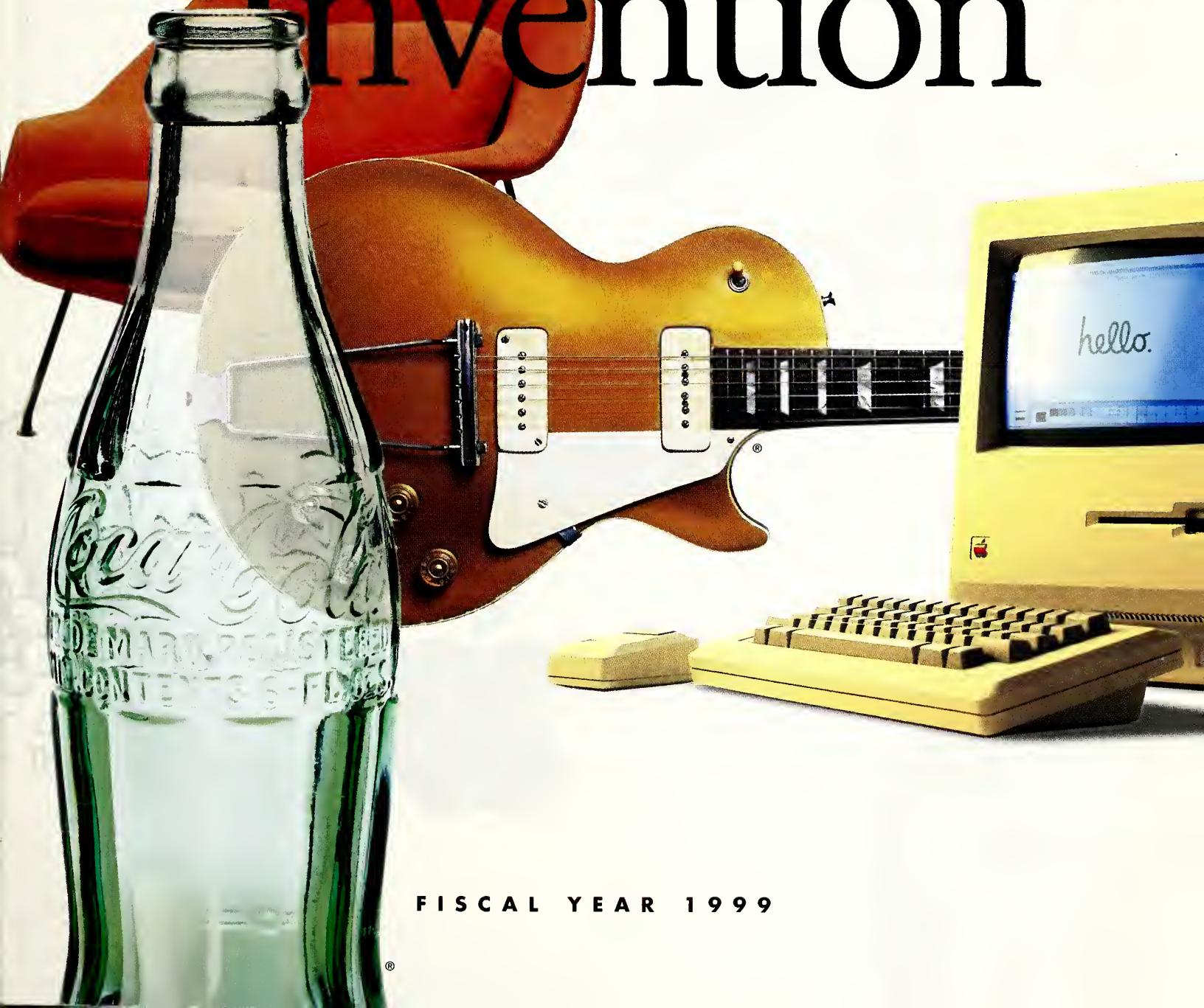


A Patent and Trademark Office Review

# Century of American Invention



FISCAL YEAR 1999

All forms of intellectual property protection—patents, trademarks, and copyrights—uphold the philosophy of rewarding individual effort as the best way of utilizing the talents of creators to advance public welfare. Intellectual property is a potent force in the competitive free enterprise system. By protecting intellectual endeavors and encouraging technological progress, we seek to preserve the United States' technological edge, which is a key to our current and future competitiveness.

The U.S. patent system establishes a contract between the government and the inventor. In exchange for the temporary right to exclude others from practicing the invention, the inventor must disclose the invention, thereby enabling further innovation and progress. Equally as important, trademark protection is essential to the marketing of new products and services. Businesses need a presumption of ownership and of the right to use their trademarks before committing millions of dollars through their production and marketing decisions, and consumers rely on trademarks to ensure that they get what they pay for.

In addition to processing patent and trademark applications, we disseminate patent and trademark information. By doing so, we promote an understanding of intellectual property protection and facilitate the developments and sharing of new technologies world-wide.



U.S. Department of Commerce  
William M. Daley  
Secretary

United States Patent and Trademark Office  
Q. Todd Dickinson  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office

# Innovation



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defining the past century—  
touching the lives of every American.  
Bicycles to biotechnology, each  
new idea transforming the way we  
live from day to day.

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# Message from the Director



**Q. Todd Dickinson**

**Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office**

This, the last Annual Report of the U.S. Patent and Trademark Office of the 20th Century, comes at a time of incredible innovation, creativity, and a global explosion of technology, and we at the USPTO are in the middle of this exciting era. When Commissioner Charles Duell stated in his 1899 Annual Report, the last of the 19th Century, that the Nation's "future progress and prosperity depend on our ability to equal, if not surpass, other nations in the enlargement and advance of science, industry, and commerce," he could just as easily have been talking about our challenge for the 21st Century. His conclusion, that we must turn to invention to accomplish this, is our conclusion, as well.

The mission of the USPTO is to administer the laws relevant to the granting of patents and the registering of trademarks, and to advise the Executive Branch on intellectual property protection. The past year has been a particularly exhilarating time to be involved in such

work, and we can take pride in a number of significant achievements. One of the most important is the continued transformation of the USPTO into an electronic office. The full implementation of TEAS, the trademark electronic application system, a successful launch of the Patents Electronic Filing System pilot, websites devoted to independent inventors and kids, and the enhancement of search systems and tools, are only some of the most obvious accomplishments in moving toward an electronic workplace.

All of this has occurred, of course, against the backdrop of a pronounced increase in our work, both what is coming in the door and what is going out. In FY 1999, we received more than 272,000 patent applications and 297,000 trademark applications in all classes, which represent a 13% and a 27% increase over FY 1998, respectively. We granted more than 145,000 patents and registered almost 88,000 trademarks. And to address this increased demand on our human resources, we hired more than 1,200 new employees, including 800 patent examiners.

Additionally, shortly after the end of the fiscal year, Congress passed landmark

reforms to the patent law, including the creation of the USPTO as a Performance-Based Organization and granting us wide-ranging autonomy to manage its budgetary, managerial, and personnel matters. Clearly, these changes will have a major impact on our ability to develop a first-rate business-like operation.

I am confident that, much as Commissioner Duell felt that the dawning 20th Century presented a major opportunity for the U.S. patent system to underpin American industrial competitiveness, the 21st Century presents the challenge and opportunity for the USPTO to excel at our core mission, the protection of intellectual property in a truly global environment.

Sincerely,



Q. Todd Dickinson  
Under Secretary of Commerce  
for Intellectual Property and  
Director of the United States  
Patent and Trademark Office

# 1999 Highlights

## **PTO appropriation**

Congress passed Public Law 106-113 on November 19, 1999, limiting the Patent and Trademark Office's (PTO) appropriation to \$755 million from fees collected in FY 2000, an increase of about 1 percent over the previous year. In the same Act, Congress limits the PTO's use of fees collected in prior years to \$116 million. Total resources available to PTO in FY 2000 will be \$868 million.

## **PTO Re-established as performance-based organization**

Public Law 106-113 re-establishes the PTO as the USPTO, an agency within the U.S. Department of Commerce, subject to the policy direction of the Secretary of Commerce. The USPTO retains responsibility for decisions regarding the management and administration of operations and exercises independent control of budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions.

The new USPTO will be headed by an Under Secretary of Commerce for Intellectual Property and Director of the USPTO, appointed by the President. The USPTO's patent and trademark operations will be treated as separate operating units. The Secretary of Commerce will appoint a Commissioner for Patents and a Commissioner for Trademarks to serve as chief operating officers for the respective units. The Commissioners will enter into annual performance agreements with the Secretary and will be eligible for 50 percent bonuses based on their performance under those agreements. Officers and employees of the USPTO will continue to be subject to the provisions of Title 5 of the United States Code relating to Federal employees.

## **Patent and trademark fees**

Public Law 106-113 also adjusts patent and trademark fees. On the basis of the PTO's activity-based costing project, it was found that trademark fee collections were not adequately funding the trademark area within the PTO. As a result, some patent fees were decreased, and, if necessary, the Commissioner may raise trademark fees more than the rate of inflation to reach parity.

## **PTO financial status**

The PTO once again received an unqualified opinion from a national public accounting firm, under contract to the Department of Commerce's Inspector General, on the FY 1999 financial statements, reaffirming PTO's strong financial management.

## **Internet Services**

PTO unveiled an online ordering system in March 1999, and now customers can use our Web site to order copies of certified and uncertified office records. Customers also can check the status of their orders, and receive patent copies electronically.

In April 1999, PTO unveiled new Internet databases which contain the text and images of more than two million patents dating back to 1976 and over one million registered and pending trademarks dating back to 1870. The more than 20 million pages in the database comprise two terabytes of science and technology and more than 100 years of marketing creativity.

## **Quality Management**

PTO established an integrated quality management system, which includes leadership for and oversight of the PTO Quality Council. The Council establishes policy in such areas as survey methodology, in-house assessments, and performance measurement. The integrated quality management system is resulting in periodic

self-assessments, integration of performance measures, sharing of best-practices, fostering performance excellence, assisting business units with opportunities for improvement, establishment of a performance excellence library, liaison with regard to quality awards, and facilitating knowledge management.

### **Office of Independent Inventor Programs**

On March 15, 1999, the PTO opened the new Office of Independent Inventor Programs, to meet the special needs of independent inventors and very small businesses. These inventors and businesses comprise more than a quarter of the PTO's customer base. The Office of Independent Inventor Programs is located within the Office of the Commissioner and provides a doorway at the PTO's highest policy levels where the independent inventor community can bring concerns and give input. This represents the PTO's first large-scale comprehensive approach to assist individual inventors and has been met with wide-spread approval.

### **PTO space acquisition**

On June 14, 1999, the General Services Administration (GSA) announced its selection of an offeror for the PTO's new consolidated facility. The offeror has proposed the Carlyle site, located on currently undeveloped land in Alexandria, Virginia. The campus will comprise approximately 2 million square feet of occupiable space within five connected office buildings. GSA expects to award a 20-year lease to the developer.

### **Y2K**

Y2K readiness was a must. The PTO is a highly technology-dependent agency. It relies on nearly 600 software products operating on 44,000 computers and other hardware. The computer systems process more than 92 million business transactions in a single year, and the patent and trademark examiners run more than 8 million searches on our databases. PTO internal staff, with the assistance of outside consultants, began

individually testing, repairing, and replacing the information technology infrastructure in January 1996 to ensure all components would function properly. Because of the intense dedication of staff and the prudence and proficiency of the technical team, Y2K came and went, and we experienced no problems with our systems.

### **High Impact Agency**

As one of Vice President Gore's High Impact Agencies, PTO continued to work toward commitments that are enhancing customer satisfaction with the PTO because we are emphasizing our core business strengths of providing high quality and timely products and services to our customers.

### **Electronic Filing**

For the past year the PTO has accepted electronically-filed applications for the registration of trademarks through the PTO web site, receiving more than 20,600 applications including 21,600 classes through the Trademark Electronic Application System (e-TEAS). E-TEAS is a significant accomplishment for the PTO and its customers as it meets one of our "high impact agency" commitments by enabling customers to do business electronically with the Office. Customers can file an application through the e-TEAS site 24 hours a day, 7 days a week and pay by credit card or by PTO deposit account. E-TEAS applications receive a filing date for the date the application is submitted and receive an electronic confirmation of receipt regardless of whether the Office is closed.

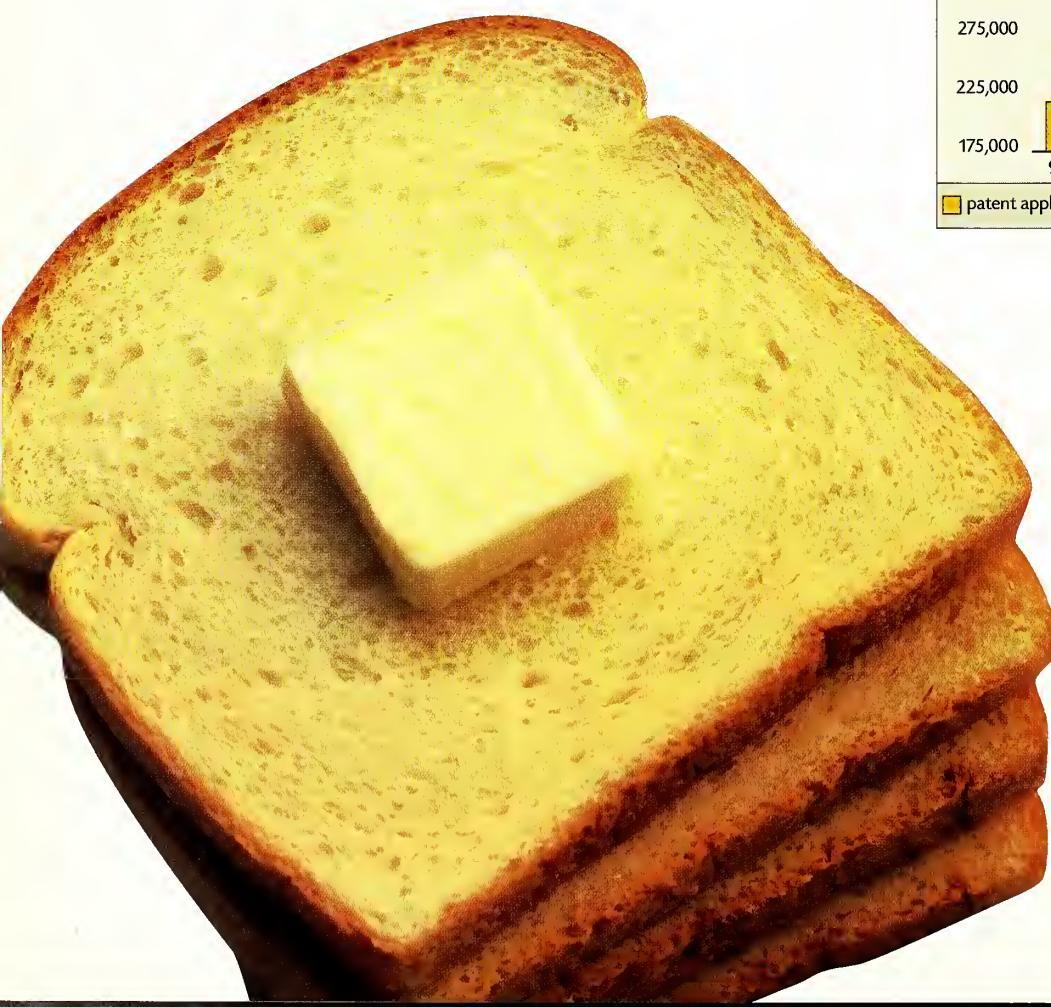
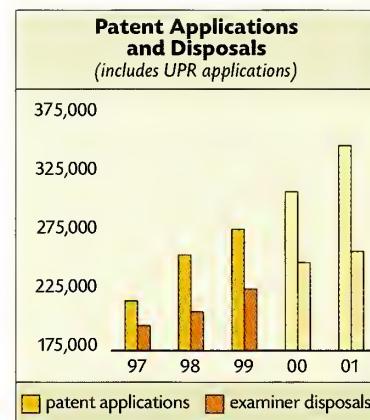
Mr. Peanut was first used in 1916.  
The Mr. Peanut trademark was registered in 1925.



# Patents

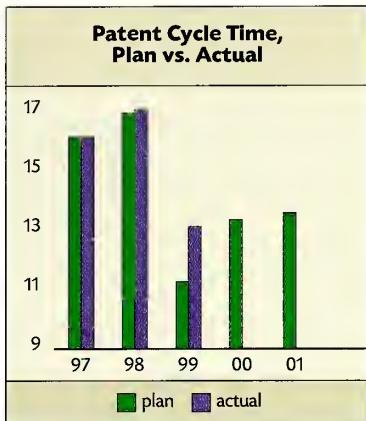
## Performance

The PTO received 272,221 utility, plant, and reissue (UPR) applications in FY 1999. Increases in the number of applications in communications and information processing technologies led to the 13 percent growth from last year: 143,686 UPR patents were issued, a 3 percent increase over FY 1998. For FY 2000 UPR applications are expected to increase another 10 percent to approximately 299,400, with the high technology areas leading this growth once again. At the end of FY 1999, cycle time averaged 12.9 months. The target processing time for FY 1999 applications was 10.9 months. FY 1998 cycle time was 16.9 months.



*"the best thing since sliced bread"*

**Early in the 1900s, Otto Frederick Rohwedder had an idea for a bread-slicing machine. It took 26 years for his idea to catch on in America, and not until 1928 did Wonder Bread finally introduce sliced and wrapped bread using his idea. In just 5 years, however, almost 80% of all bread was sold this way.**



## Four Business Goals

The Patent Business established the following four business goals to provide customers with high-quality service to facilitate the issuing of patents in a timely and consistent manner: Goal 1, reduce the PTO processing time; Goal 2, receive applications and publish patents electronically; Goal 3, exceed our customers' quality expectations through the competencies and empowerment of our employees; and Goal 4, assess fees commensurate with resource use and customer efficiency.

### Goal 1: Reduce the PTO processing time

By 2003, the PTO will reduce processing time, or cycle time, for original UPR inventions to twelve months from the time an application is received to the time when the patent is issued or when the inventor abandons the application. Unfortunately, in FY 1999 the PTO fell short of the target of 10.9 months cycle time. The final average cycle time for cases awaiting action was 12.9 months. Although both cycle time to first action and the cycle time from first action to allowance/abandonment was on track, we missed our target for cycle time from allowance to publication. However, we are continuing to reduce processing times by hiring more examiners. The PTO set an aggressive hiring goal for FY 1999 in a very tight job market for high technology recruits. We hired 800 new examiners (all with technical undergraduate degrees, 38 percent with advanced technical degrees, and six percent with law degrees). This is the second consecutive year more than 700 new patent examiners have been hired. It is a challenge for the PTO to recruit and then train such a large number of new employees. The creativity the PTO has shown in employing recruitment bonuses, higher step levels, support within the Patent Business by the Office of Human Resources, and an aggressive recruitment campaign ensured that we not only met our hiring target, but that we exceeded it.

### Specific Processing Times

The PTO established cycle time awards in FY 1999 as an employee incentive for each area of patent processing. As an example of the improvements achieved through this program, the total time to respond to an amendment was reduced from fifty-eight days at the beginning of FY 1999 to fifty-four days by the end of the year.



Compact Disc, 1979.

### Office of Initial Patent Examination

The Office of Initial Patent Examination (OIPE) worked to keep the number of days to less than thirty when mailing filing receipts, with an average of twenty-five days, and significantly reduced the number of days it took to process patent applications and forward those applications to the examination areas from seventy days in October 1998 to twenty-one days in September 1999. OIPE also implemented a successful quality improvement strategy for filing receipts without errors by installing

a database to track the number of requests for corrected filing receipts matched with type of error made. Plus, a strong focus on employee ownership and accountability was encouraged, and an improved quality sampling process was implemented. Errors were down 26 percent from February 1999 to August 1999.

### Publications

To meet the patent cycle time goal, PTO needed to print 183,000 patents in FY1999, which would have reduced the number of patents awaiting printing by 30,000, and allowed PTO to issue patents five weeks after issue fee payment. PTO began a new publishing process in April 1999 in order to meet this goal. As a result of both the new process and new contractor requirements, the database contractor was unable to meet the needed large increase in production capacity in FY 1999. The PTO issued 159,166 patents (including design patents) in FY 1999. The number of patents awaiting printing was not significantly reduced, and patents were issued within 16 weeks after issue fee payment. The PTO will achieve the necessary improvements to attain the five week processing goal in FY 2000.



**The Polaroid® Land Camera was introduced by inventor Edwin Herbert Land in 1948 and was an instant commercial success. Users found many applications for the Land Camera and later improved models, including aerial, real estate, and commercial and press photography.**

## Goal 2: Receive applications and publish patents electronically.

The PTO will complete systems testing and begin full electronic processing of patent applications in FY 2003. This goal represents another of the HIA commitments.

### Patents Electronic Filing

The PTO is on an exciting path in achieving its goal of electronic filing of all patent applications. In July 1998 the PTO began developing the Electronic Filing System (EFS), a process where patent applicants or their representatives can submit applications and related papers to the PTO by using the Internet and the PTO website. EFS is designed around the PTO's free "submission engine" software (called ePAVE). ePAVE permits the applicant to identify the type of electronic patent application submission, the electronic filer, and to attach the specification with claims, drawings, or other files. ePAVE also automates the processes necessary to combine files into a single compressed and digitally signed encrypted file. Transmission security is ensured through the use of Public Key Infrastructure. Applicants must first obtain digital certificates and public/private digital keys from the PTO before transmitting any files. Once transmitted, files are received in the PTO's Electronic Mailroom.

The first component of EFS to be implemented was EFS BIO, which permits customers to submit electronic biological sequence listings for biotechnology patent applications. In November 1999 EFS was expanded by adding an initial pilot program for submission of new electrical, mechanical, or chemical utility applications of limited complexity. Participants use an enhanced version of ePAVE to again combine parts of the application before submission.

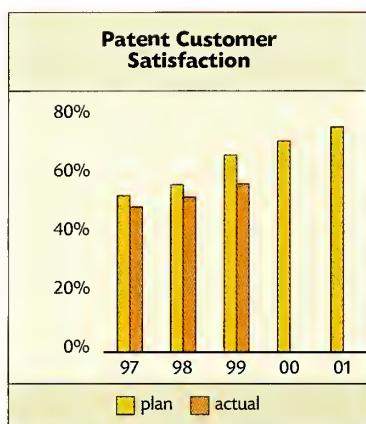
EFS enhancements will continue over the next few years. By July 2001, PTO expects to introduce a pilot program for the receipt of Patent Cooperation Treaty (PCT) applications over the Internet, followed by programs to test electronic submission of provisional applications and programs to test electronic



Swanson® TV-dinner tray; patent issued 1959.

submission of complete biotechnology utility patent applications. By late 2001, the PTO will begin merging those pilot programs and various releases of EFS into a complete EFS production system. When finished, EFS will permit customers to file any type of patent application submission electronically. To learn more about EFS and how to participate, visit the PTO Electronic Business Center website at <http://pto-ebc.uspto.gov>.

### Goal 3: Exceed our customers' quality expectations through the competencies and empowerment of our employees.



#### Customer Service

On the basis of the results of the 1999 Annual Customer Satisfaction Survey, PTO's customer satisfaction with the patent process improved. Each of the four "key driver" results increased in FY 1999 as follows:

- Direct you promptly to the proper office or person  
—up 11 percent
- Return telephone calls within one business day  
—up 9 percent
- Set forth clearly in written communications the technical, procedural, and legal positions of the examiner  
—up 8 percent
- Conduct a thorough search during patent examination process—up 7 percent

These impressive improvements result from the patent business area's conscientious focus on enhancing customer satisfaction. Customer service offices were placed in each Technology Center and process area. Employees attended customer service training. An in-process review system was established to check examiners office actions. The result of all this work is self-evident, and customer satisfaction has been greatly enhanced.

#### Patent Reengineering

The Patent Working Lab opened on March 30, 1998, and closed one year later, its job done. The purpose of the Lab was to see where processing time could be improved. The Lab consisted of twenty-four participants representing various technologies throughout the patent business area. They were grouped into four teams, each team consisting of four adjudicators (examiners), one analyst, and one assistant. At the end of the year it was found that patent application processing time and quality could be significantly improved if technical support personnel used their newly taught skills to relieve examiners of non-processing workload so that those examiners could focus their time on legal and technical tasks. The result: teamwork, collaboration, and increased customer satisfaction.



IBM® Selectric® Typewriter.



Royal® Bar-Lock Typewriter.



**Patented by King Camp Gillette in 1901, the idea for a safety razor with disposable blades languished for almost 40 years. By the late 1940s, however, roughly 16 million Gillette® safety razors were being sold annually!**

#### **Goal 4: Assess fees commensurate with resource use and customer efficiency.**

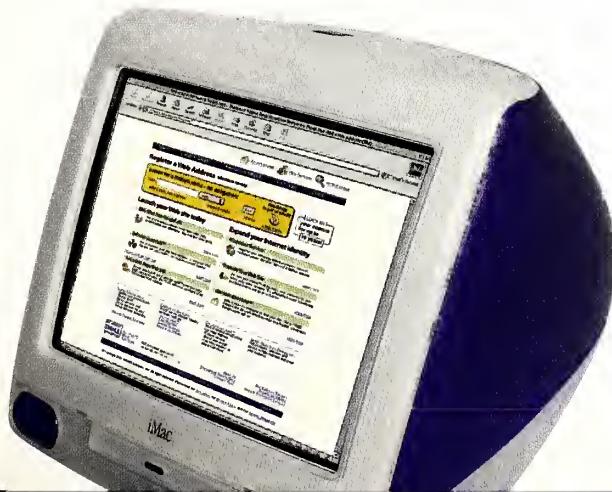
##### **Patent Fees**

Over the past few years, the patent business area has collected more fees than necessary to cover its costs. Activity-based costing demonstrated that the excess patent fee collections were supporting other operations, both within and outside of the PTO. As part of the effort to collect fees corresponding with expenses, the PTO supported a bill, passed as Public Law 106-113, to reduce

patent fees and to increase trademark fees, bringing fee collections back into balance with business area expenses

##### **Patent Strategic Planning**

The patent business area began a second cycle of strategic planning (for FY 2002 to 2006) in August 1999 to answer a few key questions: What do the customers think the priorities of the office should be? What existing patent goals and measures should be improved or abandoned? What is the mission of the office, and should that mission be modified to reflect new strategic directions? How do the employees view the office's goals and vision? These questions will be answered, and the date for publication of the patent strategic plan is May 2000.



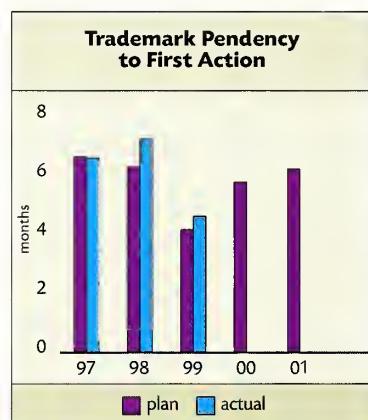
Apple® i-Mac® Computer

# Trademarks

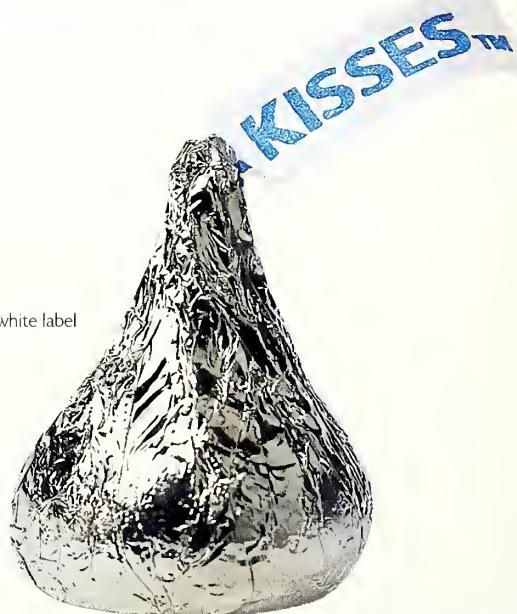
In FY 1999, the PTO trademark business experienced one of its largest one-year increases in application filings. Customers filed 240,308 applications for trademark registration in 295,165 classes, 27 percent more than were filed in FY 1998. For the last six months of the fiscal year, over 5,300 applications, averaging more than 6,200 classes, were received weekly. Because of the tremendous growth in filings, and the increase in staffing to address that growth, disposals were less than expected as the more experienced examiners devoted much of their time training and mentoring the large number of new examiners hired during the year. Registrations were down slightly from 1998, to 87,774, containing 104,324 classes.



Campbell Soup Company's red and white label design was first registered in 1906



The Hershey's Kisses® trademark was first registered in 1921, the famous Kiss design, however, was registered in 1983.

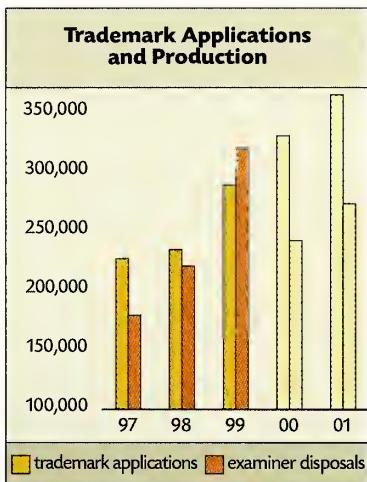




Starkist® trademark registered 1940.  
"Charlie®" trademark registered 1970.

A concerted effort was made in FY 1999 to focus examiner activities on new applications. Because the examiner's initial action provides applicants the first indication that their trademarks may be registered, applicants can then use this information to formulate decisions on developing their products. This focus led to a decrease in first action pendency from 7.2 months at the end of FY 1998 to 4.6 months at the end of FY 1999, an improvement of 36 percent. The ultimate goal is to reduce the time it takes for the initial action—first-action pendency—to three months. To do this, the number of law offices was increased

from 9 to 15, and the number of trademark examining attorneys was increased by 86 to 367. We hired 136 examining attorneys in 1999, the second consecutive year we have hired more than 100 new examiners. The plan is to maintain staffing at 375 examiners and to fill positions that support examination and production necessary to manage the level of filings received. This can be accomplished by staffing to the level that was authorized in the PTO's 2000 appropriation.



Trademark application filings are a reflection of the strong national economy and the growth in business and e-commerce. Doing business on the Internet has stimulated interest in trademark protection. The PTO, in response to this, has made it easier than ever for individuals and small businesses to apply for Federal registration of their trademarks through e-TEAS, the Trademark Electronic Application System.



Nittany Lion® trademark registered 1985.



Washington Capitals® trademark registered 1999.

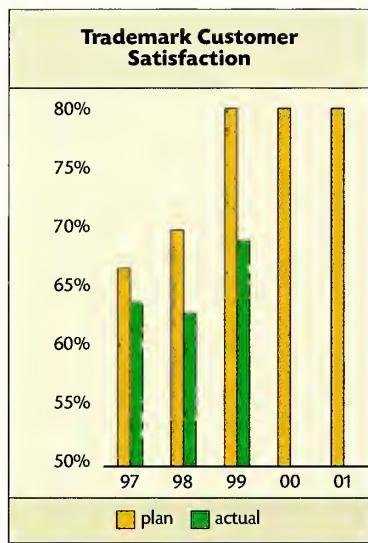


Denver Broncos® trademark registered 1998.

**A sports team's identity is wrapped up in its name and team symbol. Fans show their support by buying team jackets, hats, and other items. Trademark protection for those names and symbols ensures that fans can buy the real thing and be protected from rip-offs. The trademark also protects the team's revenue stream.**

### Electronic Trademark Filing and Processing

Several new systems were successfully implemented in FY 1999 that move the PTO closer to its goal of transforming trademark processing into a fully electronic operation by FY 2004.



Since October 1, 1998, the PTO has offered electronic filing to its customers through the Trademark Electronic Application System (e-TEAS), thus fulfilling one of our commitments to Vice President Gore as a HIA. E-TEAS permits customers to file an application for the registration of a trademark over the Internet to the PTO website. In FY 1999 more than 20,600 applications were received over the Internet for electronic registration.

Customers who file electronically will know almost immediately that an application has been received along

with notice of the serial number. Initial processing of applications is more accurate and faster, a full one-third faster, because a number of manual processing steps are eliminated prior to examination.

To aid the customer, the rules for electronic filing have been revised. For instance, signature requirements have been modified, making it easier for attorneys to file on behalf of their clients. Another change has been that for applications filed through e-TEAS the date of receipt, regardless of whether it is a business day, will be the date for according a filing date.

For those applicants who need to include additional materials with their application, copies of all the trademark application filing forms are now available on the PTO website. The forms may be downloaded, completed, and mailed to the PTO.

Unfortunately, most applications are still received on paper. To speed up the time it takes to process an application, and to significantly reduce errors, the majority of applications are now scanned. In the next year the PTO will replace manual data entry with scanning for nearly all paper correspondence. Although this process has been more labor-intensive than the old paper system, it is expected that as we gain more experience using the scanning system, and as customers adopt standardized formats, the process and quality will improve. The plan is to encourage the majority of customers to file electronically.

The Morton® Umbrella Girl trademark, first used in 1914, was registered in 1946. The logo seen on the container on the right was introduced in 1968.



1914



1921



1933



1941



1968

**TradeUps** TradeUps, a PC-based system that electronically codes applications and adds the data to the PTO's Trademark Reporting and Monitoring (TRAM) database in standard "tagged" formats has been in use for capturing all new application data since 1998. In 1999, TradeUps was enhanced to permit a full image of the scanned application page to be available on-line, a modification that allows examiners to complete their review for formalities and initial data capture from the electronic record. An automated interface to TradeUps was added, and it now can accept data submitted electronically for e-TEAS applications, eliminating the need for a paper review of the application for initial processing. TradeUps II supports text editing of the initial database record for changes that occur throughout the examination process. Future versions of TradeUps will include post-registration and intent-to-use functions. Full implementation of TradeUps in 2000 will permit all transactions that update TRAM allowing for the replacement of TRAM.

**Trademark Reporting and Monitoring** In the past year, changes were made to the Trademark Reporting and Monitoring (TRAM) system to accommodate provisions required under the Trademark Law Treaty (TLT). Changes required to implement TLT delayed the PTO's strategy to move forward with a new version of TRAM and have extended the PTO's hopes of developing a system to completely replace paper with electronic files. The enhanced TRAM system will provide the basis for a replacement open system due in 2000. By replacing proprietary technologies with open systems, the PTO will be able to improve the TRAM system's reporting capabilities, integrate intent-to-use processing into the law offices, and support workflow changes. The first phase will enhance the pre-examination, examination, and intent-to-use functions with improvements in batch programs, on-line transactions, and reporting. The PTO plans to begin development in 2002 of a trademark information system that, together with TEAS and TradeUps, will replace paper applications altogether and permit full electronic processing of applications and related documents.



**Trademarks provide product recognition, giving the consumer information about the source and quality of the product, while helping the producer develop brand loyalty among customers. The Morton® salt brand is so powerful, for example, that although table salt producers provide similar products, most salt round cans purchased in the U.S. bear the image of the Umbrella Girl and the trademarked slogan, "when it rains, it pours."**



#### *Trademark Application and Registration Retrieval*

Trademark application and registration status information became available to the general public over the Internet through the Trademark Application and Registration Retrieval (TARR) system in August 1999. The PTO website provides general PTO information and phone numbers for contacting the Office.

*Trademarks on the Web* Trademark text data and trademark images were made available in September 1998 on the PTO website. The PTO Web Trademarks database permits searching of the bibliographic text of pending and registered trademarks from anywhere. The data are extracted from trademark databases and updated every other month. The Trademark Electronic Search System (TESS) is scheduled to replace the existing search engine in the next year with data that are updated daily and a search capability similar to what is used in the Office by examiners.

#### **Work-at-Home**

The Work-at-Home project was piloted as a "reinvention lab" for two years beginning in March 1997. The project tested the technical feasibility of providing access to office equipment and access to information databases to eighteen examining attorneys working from their homes three days a week. The project was concluded in March 1999 and the final evaluation report shows that the eighteen examining attorneys increased their productivity by significantly increasing their examination hours. The Office plans to expand the program to up to 60 examining attorneys in the next year and is considering further expansion as alternative methods for addressing ever increasing filings and limited office space.

TABASCO® trademark  
registered 1927.



Post-it Brand® trademark  
registered 1982.



Westinghouse® trademark  
registered 1932.



Pegasus® trademark  
registered 1931



Slim Jim® trademark  
registered 1953

## Customer Satisfaction

Overall customer satisfaction increased, from 63 percent in FY 1998 to 69 percent in FY 1999. Unfortunately, this was short of the FY 1999 target of 80 percent. However, there was significant improvement in several important areas, and efforts will be focused in FY 2000 on internal processing issues relating to timeliness and the handling of delays and mistakes, two problem areas that although much improved from our 1998 results require further attention and improvement.

## Quality and Performance

Customer satisfaction survey results make it clear that the key to resolving complaints is the ability to eliminate problems and to resolve those problems promptly when they do occur. As a result the PTO has developed performance measures that will assess the quality of employee work from the customers' point of view. A new program will have managers and customers working together to solve and then improve service

problems. Further, specific staff has been assigned to solving problems and finding the root causes of delays and errors made during application processing. Four specific goals will be addressed in FY 2000.

1. *Quality legal examination:* The determination of registrability will be accurately and clearly stated throughout the examination process.
2. *Timely processing of trademark applications:* Registration will be determined within thirteen months of filing, and PTO notices will be issued in a timely manner.
3. *Accuracy of trademark products:* Care will be taken so that notices with the correct information will be issued
  - Filing receipts
  - Notice of Allowance
  - Notice of Abandonment
  - Certificates of Registration
4. *Effective handling of customer concerns:* Only clear and accurate answers will be provided to customer questions regarding problems or delays in the processing of trademark applications.



United Way® trademark  
registered 1975

**United Way®**



The Salvation Army® trademark first  
used 1918, registered 1965.

### **Legislative Changes/ Trademark Law Treaty**

Congress approved the Trademark Law Treaty and passed the Trademark Law Treaty Implementation Act of 1998 (Public Law 105-330), which went into effect on October 30, 1999. Those member nations that signed the Treaty agreed to simplify and harmonize, or standardize, the requirements for filing applications, dispense with most legalization requirements, limit the list of filing and registration requirements, maintain trademark registrations, and accept multi-class applications and service mark registrations. However, the Treaty actually increases the requirements for post-registration filings

CNMC trademark registered 1990.



**A charity uses and promotes its trademark to associate its cause with a unique name and/or symbol. Donors quickly recognize and associate the trademark with the cause and are assured that their donations will go to the intended charity. Trademarks helped charities raise over \$600 billion last year alone.**



Mr. Potato Head®  
trademark registered 1955.

## Plans for FY 2000

The PTO business goals for FY 2000 are straightforward. Trademark application processing time will be reduced, and the quality of work will be improved. These goals are consistent with our HIA commitments.

The PTO priorities for FY 2000 are to:

- Continue efforts to improve customer satisfaction;
- Obtain and maintain the staff and the resources necessary to reach the first-action pendency goal;
- Increase the number of registrations published and registered;
- Implement the provisions of the Trademark Law Treaty;
- Continue the restructuring of the internal systems to enable the full use of technology;
- Increase the number and types of applications filed electronically; and
- Increase the number of opportunities for working at home.

Ja-ru® trademark registered 1998.



Monopoly® trademark registered 1935.

Frisbee® trademark registered 1959.



Hula-Hoop® trademark registered 1962.

Nerf® trademark registered 1970.



**Companies market their goods through brand identification, and consumers use trademarks to ensure they get the item they want. Remember the rush for Cabbage Patch dolls®, Transformers®, Power Puff Girls®, Beanie Babies®, and Pokemon cards®? Children understand trademarks very well.**

# Information dissemination

Patent protection enables inventors to publish their work, secure in knowing they retain ownership of that work. Trademarks protect consumers from counterfeiters, and businesses from imitators. Fast access to patent and trademark information brings the benefits of new ideas quickly to everyone.

Our mission is to promote awareness of the information we hold, and to provide fast, effective access to that information. Our goal is to deliver information when and where our customers need it, in the format required, and at a price that covers our costs but is affordable to the customer.



## 1999 Highlights

### Internet Ordering and Delivery

PTO unveiled an online ordering system in March 1999, and now customers can use our website to order copies of certified and uncertified office records. In September 1999, the next generation Order Entry Management System (OEMS) was completed, and customers can now check the status of their orders, and receive copies of patents electronically. Also, in September 1999, the Patent and Trademark Assignment System (PTAS) was upgraded to receive requests by fax. By September 2000, customers will be able to send assignment-related documents via the Internet directly to the PTAS server for processing and recordation, and in the future we will be able to send back recordation notices electronically to those who submit assignment-related documents electronically.

### New Patent and Trademark Databases on the Web

The PTO formally unveiled its new Internet databases in April 1999. The databases contain the text and images of more than two million patents dating back to 1976 and over one million registered and pending trademarks dating back to 1870. The more than 20 million pages in the databases comprise two terabytes of science and technology information and more than 100 years of creativity. Users of the databases on the PTO's website accessed an average of 372,000 pages a day during the last quarter of FY 1999.

### Patent and Trademark Depository Libraries

Two new Patent and Trademark Depository Libraries (PTDLs) were designated on May 10, 1999. The Las Vegas–Clark County Library District in Nevada and the Rochester Public Library in New York joined the program, bringing the total number of PTDLs to 85.

### Partnership Libraries

PTO's third Partnership Library was opened in Houston, Texas, in November 1998. Houston now joins Sunnyvale, California, and Detroit, Michigan, in providing enhanced services to their communities.

### Plans for FY 2000

IDO will continue to focus on maintaining customer satisfaction, promoting the use and accessibility of our products, and delivering the highest quality information products and services. We will:

- maintain a diverse information dissemination program to achieve our service goals;
- use the Internet to deliver information, and make it possible to order and receive patent and trademark information products via the Internet;
- contain the cost of disseminating information;
- improve the accessibility of patent and trademark information from all regions of the United States.

We will continue to use the best-suited technology to disseminate information; we will expand our portfolio of information on products and services; and we will deliver the highest quality product to meet our customers' needs throughout the world. We will provide our products and services in response to orders received

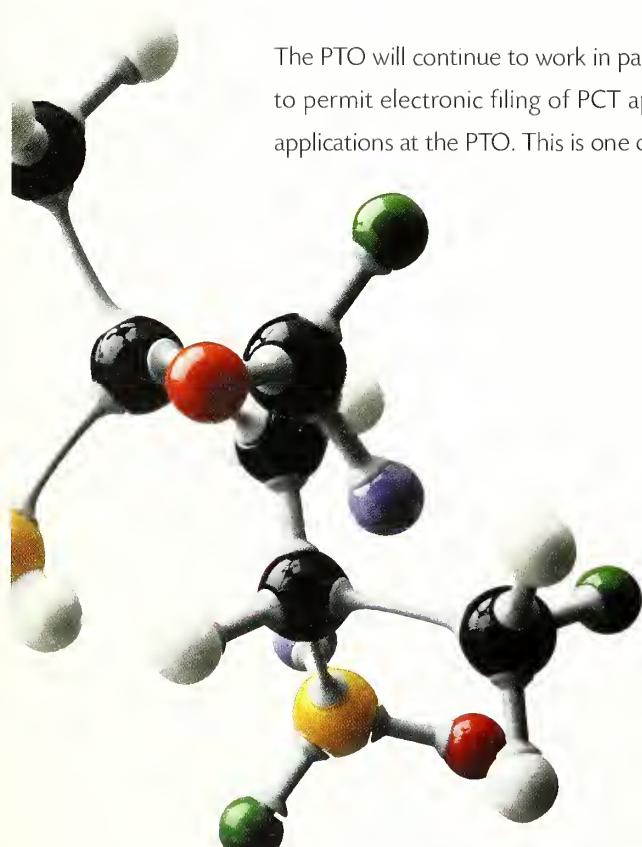
by Web, fax, and telephone; in our local search facilities, through our network of PTDLs, and through private companies who purchase source data from us, add value, and resell their products and services to thousands of their own customers.



# Intellectual property policy

The goal of the PTO's intellectual property (IP) policy business area is to protect, promote, and expand IP rights throughout the United States and abroad. To do this, the PTO works closely with House and Senate Judiciary Committee members and staff to craft legislation and assists the U.S. Trade Representative and the State Department.

The PTO will continue to work in partnership with the World Intellectual Property Organization (WIPO) to permit electronic filing of PCT applications and, by the end of 2001 to electronically receive PCT applications at the PTO. This is one of the PTO's HIA commitments to Vice President Gore.



Behind this country lies a history of attention to the vital function that innovation and creativity serve in the development and commercialization of new products and services. The USPTO plays an active role in ensuring that our intellectual property laws and policies promote and encourage innovation and investment. As global trading increases, our success in the future's marketplace will turn, to an unprecedented degree, on the steps taken to preserve and foster one of our most valuable assets: the creativity of our people. The USPTO's strategy for competing effectively in tomorrow's markets focuses on working, unilaterally and in concert with our trading partners, to improve and raise the standards of intellectual property protection throughout the world.

## Domestic Activities

Significant pieces of intellectual property-related legislation were enacted during the first session of the 106th Congress.

### Reform of Patent Law and PTO Operational Authority

H.R. 1554 ( P.L. 106-113), the "American Inventors Protection Act of 1999," makes important changes to patent law and improves PTO's ability to better serve its customers. The new Act:

- Helps to protect inventors from deceptive practices of invention promotion companies by requiring those companies to disclose relevant information. Damages could be assessed for failure to comply. The PTO will make those complaints about promotional companies publicly available.
- Reduces patent fees for the second year in a row, and directs the PTO to study alternative fee structures that would encourage full participation in the patent system by all inventors, large and small.
- Provides a limited defense against infringement to inventors who developed and used a business method prior to that method's being patented by another party.
- Permits inventors to receive extensions to their patent terms if processing of their applications were delayed for reasons beyond their control. Diligent applicants are assured of receiving a minimum of 17 years of patent term.
- Directs that patent applications filed abroad will be published in the United States eighteen months after filing. American inventors will then know what technology is being developed internationally much earlier and will help to eliminate duplication of research efforts and expenses.
- Provides inventors with an optional reexamination process for reviewing patent validity.

### Anticybersquatting

H.R. 1554 ( P.L. 106-113), the "Anticybersquatting Consumer Protection Act," prohibits the bad faith registration, trafficking in, or use of an Internet domain name that is identical to, or confusingly similar to, a distinctive trademark or service mark, or dilutive of a famous trademark or service mark. Personal names, protected as trademarks, are subject to the provisions. Civil remedies and damages are made available to aggrieved trademark owners, and an in rem civil action can be brought against a domain name if a responsible defendant is unavailable.

### Trademark Law Amendments/Dilution

S. 1259, the "Trademark Amendments Act of 1999," (P.L. 106-43) provides owners of famous trademarks the right to oppose or seek cancellation of a mark on dilution grounds in proceedings before the PTO's Trademark Trial and Appeal Board. The Act also allows private citizens and corporate entities to sue the Federal government for trademark infringement. Last, the Act provides that the party asserting trade dress protection in an action for infringement, where the matter sought to be protected is not registered with the PTO, has the burden of proving that the trade dress is not functional.

### National Intellectual Property Law Enforcement Coordination Council

The conference report on H.R. 2490, "Treasury and General Government Appropriations Act for Fiscal Year 2000" (P.L. 106-58), was signed into law on September 29, 1999. Section 653 of the Act establishes the National Intellectual Property Law Enforcement Coordination Council to coordinate domestic and international IP law enforcement among Federal and foreign entities. The Council is co-chaired by the PTO Commissioner and the Department of Justice's Assistant Attorney General, Criminal Division. Other members include representatives of the U.S. Trade Representative, U.S. Customs,

Department of State, and Department of Commerce. The Council is directed to consult with the Copyright Office on copyright related issues and must report annually to the President, to the Committees on Appropriations, and to the Department of Justice.

#### Copyright Technical Corrections

S. 1260, a bill to make technical corrections to title 17, was signed into law (PL. 106-44) on August 5, 1999. The law corrects numbering and other technical errors in P.L. 105-304, the "Digital Millennium Copyright Act."

#### Patent Reauthorization Legislation

S. 1258, the "Patent Fee Integrity and Innovation Protection Act of 1999," was signed into law (PL. 106-42) on August 5, 1999. The Act authorizes \$116 million from FY1999 carryover and all fees collected in FY 2000 to be made available for the payment of salaries and necessary expenses of the PTO in FY 2000.



**Created by Brigadier General George Owen Squier, Muzak® combined the technology of the wireless radio and cable communications. In 1910, General Squier received multiple patents on "multiplexing," a communications system that allows multiple conversations on a single pair of telephone wires. His technical innovation in signal communications evolved into today's fiber optics and cable television's hundreds of channels.**



## International Activities.

In addition to PTO's legislative activities, the PTO provides technical assistance to developing countries that are setting up or improving their IP protection systems. In FY 1999, the PTO worked with ninety-three different countries, completing ninety-nine assistance projects. In addition to this work, the PTO assisted on the following projects:

### Trade-Related Aspects of Intellectual Property Council

The Trade Related Aspects of Intellectual Property (TRIPs) Council meetings this year focused on the review of enforcement provisions and geographical indications. Developing countries must submit their laws and regulations by the year 2000, and the least-developed countries must submit their laws and regulations by the year 2006. The PTO will be involved in the review of laws and regulations for both the 2000 and 2006 requirements.

### Wire the World

In FY 1998, the PTO promoted the U.S. proposal to establish a special WIPO committee to devise methods for member countries to take advantage of information technology. The Wire the World project was formally adopted into WIPO's program and budget for 1998-1999.

The PTO also prepared an IP "cyberplan" in collaboration with the Japanese Patent Office, proposing initiatives to develop and deploy a secure global information infrastructure; that is, establish a network of intellectual property digital libraries, automate the PCT system, and extend and implement solutions based on this system in interested intellectual property offices.

### Patent Cooperation Treaty

The PTO continued efforts to amend the PCT regulations in FY 1998. An ad hoc advisory group meeting under the auspices of WIPO continues to make amendments to the regulations defined by the PCT. Some of the proposed amendments were finalized in September 1997 and went into effect on July 1, 1998. Those amendments relate to the language of international

applications, the publication of a bilingual gazette, priority claims and priority documents, fees, nucleotide and amino acid sequence listings, and electronic filing.

### Patent Law Treaty

The PTO continued to participate in the effort to simplify the formal requirements associated with patent applications and patents in the different countries of the world. A standing committee, meeting under the auspices of WIPO, is continuing to develop articles and regulations that will simplify many of the formal requirements related to patent applications and patents. When concluded, this effort will greatly simplify the formal obligations and reduce the associated costs for patent applicants and owners of patents in many countries worldwide. A Diplomatic Conference is scheduled for May 2000.

### Trilateral Patent Cooperation

The PTO continued to work with the Japanese and European patent offices to seek ways to benefit from advances in information technology, to develop and share patent search tools, and to work on the harmonization (standardization) of Internet-based filing systems. A memorandum of understanding, developed and signed at the 16th Annual Conference in Miami, Florida, focuses on mechanisms for the future electronic exchange of data and the extension of the trilateral network to WIPO. It also looks at revising the information dissemination policy to allow each office to make available to the public on an Internet service the data received from the other two offices, and at implementing a new concurrent search pilot.

### The Hague Agreement

Consultations continue on drafting a new Act of the Hague Agreement Concerning the International Registration of Industrial Designs. The new Act is aimed at revising the current agreement to attract as wide a membership as possible and to establish a more efficient and accessible international filing system for the protection of industrial designs. The U.S.

delegation, led by PTO experts, has moved discussions toward a system similar to design patent protection in the United States.

#### Audiovisual Performers Rights

The PTO, along with other US government agencies, worked with the U.S. motion picture industry and performers' unions to develop an agreement to improve international protection for audiovisual performers rights. As a result, the US government put forward a comprehensive proposal for a new Treaty on Audiovisual Performers Rights. This proposal aims to meet the needs of both performers and film producers in the marketplace. This proposal is a new milestone in US international

copyright policy and in developing the policies that shape international copyright law in this area. This proposal is the first time that the United States has taken the initiative on this long-standing and controversial topic and propose an agreement to ensure both moral rights and economic rights for audiovisual performers.

#### Visiting Scholars Program

The 14th Annual Visiting Scholars Program (VSP) offered two weeks of classroom and hands-on study to thirty-seven IP officials from twenty-one countries. The VSP gives representatives from IP offices around the world a better understanding of the critical role of intellectual property protection in building strong, vital economies.

# PTO Management



#### PTO Officers. L to R

**Clarence C Crawford** Chief Financial Officer and Chief Administrative Officer, **Anne Chasser** Commissioner for Trademarks, **Robert L. Stoll** Administrator for External Affairs, **Q. Todd Dickinson** Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, **Albin Drost** General Counsel (Acting), **Nicholas P. Godici** Commissioner for Patents, **Mary C. Lee** Administrator for Quality Management, **Dennis Shaw** Chief Information Officer

# Message from the Chief Financial Officer and Chief Administrative Officer



**Clarence C. Crawford**  
**Chief Financial Officer and**  
**Chief Administrative Officer**

On November 7, 1999, I officially assumed the position of Associate Commissioner and Chief Financial Officer of the U. S. Patent and Trademark Office (PTO). I am pleased to be responsible for the PTO's financial management and reporting, procurement and human resources practices, physical and personnel security, space and facilities management, and the effective stewardship and safeguarding of assets and budget resources.

Though I have been here just a short time, I am proud to be a part of the PTO's excellent financial management team. This is the eighth consecutive year that the PTO has prepared comprehensive annual financial statements. For the very first time, a national independent public accounting firm conducted our financial statement audit. As in previous years, the auditors rendered an unqualified opinion on our financial statements. Moreover, this is the third consecutive year that our auditors did not identify and report material weaknesses in the PTO's internal control. I look forward to the challenge of perpetuating and improving on the level of excellence exhibited by the PTO in all aspects of its fiscal management

and financial reporting. I am proud to have joined an agency that is considered a leader in Federal financial management and that is on the cutting edge of information technology.

Ours is truly a unique business, and we are in the midst of change and opportunity. As the global business environment continues to evolve, we continue to modernize our financial management systems and information technology infrastructure to keep pace. We have enhanced our various financial systems to improve on our management of assets and budget resources and to provide for more effective decision-making and greater accountability. By linking our financial accounting results with the budget process, we are able to better analyze our financial position and recognize how operating results and budget formulation form a continuous loop of information for managing costs and making progress toward achieving our vision and program goals. Because of our technology dependence, we actively pursued and resolved the Year 2000 issue and our mission critical systems continued to function effectively in the Year 2000. We are also aggressively pursuing our vision of an electronic workplace. Through the medium of electronic commerce and the Internet, we are extending our presence beyond our physical location in Northern Virginia and allowing our customers direct access to our products and services.

24 hours a day, 365 days a year. In June 1999, the identification of an offeror for our new consolidated facility was announced and we have begun addressing the many financial, accounting, and reporting matters that will arise. These matters include planning, controlling, and accounting for the actual space acquisition resources; capitalizing, as appropriate, costs incurred to improve the new space beyond the improvements being made by the landlord; purchases of assets for the new location; and disposals of existing assets at the current locations.

In the midst of all these changes, our greatest challenge during fiscal year 1999 and in the future is the management of our largest asset, Fund Balance with Treasury. During this fiscal year, \$72.0 million of our fund balance was rescinded, and \$233.5 million in previous years' surcharge collections continues to be restricted and unavailable for use in funding our operations. As a result, our Statement of Cash Flows indicates that, for the first time since we began preparing comprehensive financial statements, we realized a net decrease in our cash position. Also for the very first time, our Balance Sheet shows a reduction in total assets. In addition, we collected \$142 million from our customers to process work that we were not authorized to spend in fiscal year 1999. In spite of these

restrictions on our cash, we were able to effectively manage our program costs in the short term and ensure that the costs did not increase at a rate faster than our revenue growth. Our Balance Sheet indicates that our liabilities were also kept in check and appropriately managed. However, this challenge of managing our largest asset requires a long-term solution—without one, the inability to access all of fund balances could potentially affect our ability to carry out our mission in the long term.

As we face the new millennium, I realize that achievement of our missions and goals requires a total commitment to our customers and stakeholders, a cultural change in our organization, and a clear and strategic vision that effectively uses our substantial resources. I believe in our strength and potential, but most importantly, I believe that the PTO's employees have the skills and perseverance to create a strong and successful future for all of us.



Clarence C. Crawford  
Chief Financial Officer  
and Chief Administrative Officer

# Management Discussion and Analysis

## FISCAL YEAR 1999 FINANCIAL HIGHLIGHTS

Our customers and stakeholders must be confident that we place the highest priority in using the resources entrusted to us effectively and efficiently. Therefore, we continually strive to realize our vision

*"To design an integrated planning, budgeting, evaluation, and cost management process where managers and employees are empowered and held responsible for making efficient and cost-effective decisions that foster innovation and risk-taking and where a strategic, comprehensive, and integrated approach to planning and resource management is in place."*

Of course, sound planning and effective use of resources is dependent on the availability of accurate financial data. A national independent public accounting firm contracted by the U.S. Department of Commerce (DOC) Office of Inspector General (OIG) audited the PTO's fiscal year 1999 financial statements. The auditors, as they have done in the previous six years, issued an unqualified opinion that the financial statements are fairly presented and are in conformance with the Federal government's accounting and reporting standards. Routinely, in their Report on Internal Control auditors have suggested recommendations for improving internal control and operating efficiencies. However, we are pleased to announce that as a result of the PTO's success in implementing corrective actions this year, no material weaknesses or reportable conditions in the PTO's internal control were identified. This report clearly demonstrates that we place high priority on the accuracy, validity, and usefulness of our financial data.

We continue to improve and upgrade financial management systems and practices to support the evolving business environment as we move into the 21st Century. Because of the continuing pursuit of greater global intellectual property rights, the public and our customers will be increasing their demand for access to patent and trademark data, products, and services. Our response to this increased demand will be an escalated commitment to implementing new technology that will provide users faster access to more timely data and new services.

We must continue to modernize our financial management systems and information technology infrastructure to take advantage of the global information infrastructure and to achieve our vision of the future electronic workplace. We will focus on identifying and producing measurable business improvements by applying sophisticated risk management principles. Throughout this discussion and analysis we will highlight our significant fiscal year 1999 resource management achievements and will discuss future plans to achieve our vision.

## **Leveraging Information Technology**

We are proud to have been the first Federal agency to convert a paper check into an electronic debit transaction at the point of sale. As a pilot with the U.S. Department of the Treasury (Treasury), Financial Management Service, point of sale check conversion (POSCC) project, we are able to process and settle checks electronically. The use of electronic cash settling will result in improved funds availability, reduced check processing time, better cash forecasting, and lower risk of fraud. Customers will experience streamlined checkout, a receipt as an immediate record of the purchase, and more detailed information on their monthly statements. Private merchants using the POSCC process have reported very high levels of consumer acceptance.

Starting in October 1998 customers were able to use the Trademark Electronic Application Submission (TEAS) system. TEAS has secure payment capabilities that allow trademark customers to submit applications using credit cards to pay filing fees on-line. Trademark customers filed more than 20,000 trademark applications online, representing over \$5.2 million of trademark application fee revenue for fiscal year 1999.

This year we also introduced around-the-clock document ordering with our online Order Entry Management System (OEMS). OEMS provides a secure online environment for processing and validating customer credit card information. Online customers can choose from various pricing arrangements and delivery options, place orders, and then pay for a wide range of official PTO documents. In September 1999 the next generation of OEMS was installed, and now customers can also check the status of their orders online and receive many products electronically.

During the next year we will continue to expand online services to provide better service to customers and to reduce fee collection costs. We will be accepting online credit card payment for filing and maintenance

fees, as well as for deposit account replenishments. Customers will also be able to use the PTO website to request a form for changing entity status and to view their deposit account information and balances and the payment window dates for maintenance fees.

## **Resource Management**

We were one of the first Federal agencies to successfully implement an enterprise-wide activity-based cost (ABC) accounting system. The incremental deployment of ABC began in fiscal year 1998 and will continue through fiscal year 2001. By using ABC, we are able to collect and analyze the costs associated with processes and services provided to internal and external customers on a PTO-wide basis. This information is an important tool for improving cost and for resource management.

During fiscal year 1999, we began leveraging our ABC system to provide activity-based management (ABM). ABM can provide for better management and control of costs against revenue, enable more effective decision-making, and provide greater accountability over incurred costs. A logical next step in the ABC/ABM evolution is to link cost accounting information to the budget process by using data from our ABC/ABM model to create performance-based budgets and strategic plans for fiscal years 2001 and beyond.

We have become a government leader in ABC/ABM and have received recognition from numerous sources. *Government Executive* magazine cited the PTO for cost accounting excellence and identified the ABC project as a "Best Practice" in Federal financial management. Also, the Consortium for Advanced Manufacturing-International, the inventors of ABC, invited the PTO to speak at its annual conference.

The enterprise-wide data warehouse (EDW) is another tool we use to manage PTO funds. The EDW is an extensive database that delivers integrated information from a number of systems to end-users for decision support. EDW contains several years of

financial, patent, and cost accounting data grouped by business unit. Built-in security rules enforce confidentiality of data among users. Future enhancements are planned to deploy the executive information system (EIS) component of the EDW in addition to adding new data on human resource, corporate planning, trademarks, and information dissemination. EIS will contain high-level aggregated data in a summarized format that will assist an executive in strategic and tactical decision-making. Any web browser can be used to access EIS, and no additional software is needed. The information will be available in various hierarchies with drill-down capabilities and will be updated on a daily basis.

### **Accounting for our Resources**

In keeping with the evolving business environment, we are moving the core accounting system to a client server platform. Program Office Desktop (POD) was implemented PTO-wide during fiscal year 1999. POD is a state-of-the-art, commercial off-the-shelf add-on to our core financial system. It enables our program offices to relate financial accounting functions through monitoring of budgets and plans, common postings, funds control, and workflow processes. POD is fully integrated with industry standard word processing, spreadsheet packages, and document imaging to facilitate management, storage, and routing of information among users. Both a Budget Formulation Module and a Fixed Asset Module are also being considered as enhancements to POD. The Budget Formulation Module would provide program office managers with effective tools for robust planning and budget execution. The Fixed Assets Module would continue to support the main functions of inventory management and would track the status of fixed assets.

The emergence of electronic commerce continues with the implementation of our Internet Purchasing Application (IPA). The IPA accomplishes simplified purchasing transactions on the Internet that only pre-qualified vendors can use. IPA Requests for Quotes (RFQ) are issued and IPA vendors receive an automatic e-mail notification informing them that an RFQ has been posted on our Internet home page. IPA vendors create and submit quotes on the Internet in response to our RFQ, and the quotes are populated in quote sheets in our automated procurement system, which interfaces with POD. Once quotes have been evaluated and an award made, an award notification is posted to our home page. IPA offers significant advantages over traditional simplified purchasing methods. We can expedite the simplified acquisition process; achieve DOC initiatives for acquisition streamlining and socio-economic goals for awards to small businesses; and provide savings from lower prices through increased competition. All of those advantages greatly benefit our customers.

We also plan to implement Travel Manager to automate the travel process and to provide electronic storage of travel-related documents. Travel Manager will provide many benefits to our office and internal travel customers by providing greater efficiency in processing, improved accountability and greater data integrity.

Another example of leveraging information technology is automating the Public Transportation Subsidy (PTS) Program. For the first time ever, all PTO employees are eligible to participate in the PTS Program. In previous years approximately 900 MetroChek® cards were manually mailed on a quarterly basis. During fiscal year 1999 approximately 2,200 MetroChek® cards were mailed each quarter. Because of the increased number of employees now receiving the cards, we discovered there was a need for an automated system. We are now developing an automated database to manage the program while providing a means to accept employee re-certifications over the Intranet.

## Management Controls

For fiscal year 1999, we provided reasonable assurance of compliance with the provisions of the Federal Managers' Financial Integrity Act. This assurance of compliance is based on continued efforts to improve all systems of internal accounting and administrative controls. Assurance indicates that our management controls are adequate to ensure that transactions are executed in accordance with budgetary and financial laws and other requirements, are consistent with the purposes authorized, and are recorded in accordance with Federal accounting standards; assets are properly acquired and used and are safeguarded to

deter theft, accidental loss, unauthorized disposition, or fraud; and performance measurement information is adequately supported.

During its audit of the fiscal year 1998 financial statements, the DOC OIG reported that management controls surrounding the Revenue Accounting and Management (RAM) system should be improved. During fiscal year 1999 corrective action was successfully implemented to substantially eliminate this control weakness.

## Financial Management

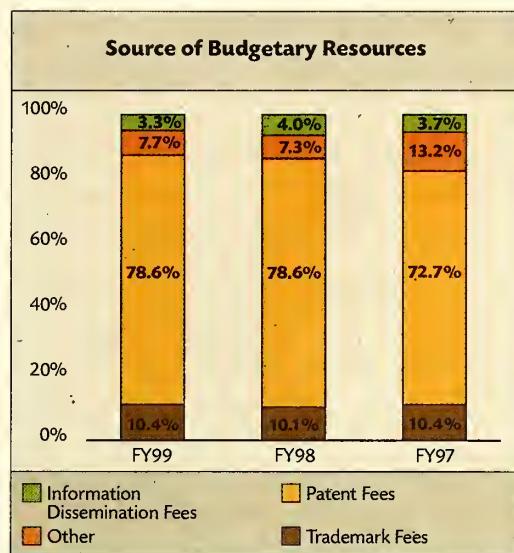
The Office of Management and Budget (OMB) prescribes the use of quantitative indicators to monitor improvements in financial management. The table below shows the PTO's performance during fiscal year 1999 against the target performance established by the OMB:

Financial Performance Measure	Fiscal Year 1999 Performance	Fiscal Year 1999 Target
Percentage of Timely Vendor Payments	99%	95%
Percentage of Payroll by Electronic Transfer	97%	90%
Percentage of Treasury Agency Locations Fully Reconciled	100%	95%
Timely Posting of Inter-Agency Charges	18 days	30 days
Timely Reports to Central Agencies	100%	95%
Average Processing Time for Travel Payments	2 days	15 days
Audit Opinion on Fiscal Year 1999 Financial Statements	Unqualified	Unqualified
Material Weaknesses Reported for Fiscal Year 1999	None	None

## BUDGETARY RESOURCES

The enactment of the Omnibus Budget and Reconciliation Act (OBRA) of 1990, as amended in 1993, enabled the PTO to finance the costs of operations from user fees rather than through appropriations from taxes paid into the general fund of the Treasury. As a result, we are a fully customer-funded Federal agency operating much like a commercial enterprise. Nonetheless, as an U.S. Government entity, we remain subject to Federal appropriations laws and are not authorized to freely invest cash and fund balances. We have no investment authority, no borrowing authority, and no lines of credit. To obligate a dollar, we must have already collected that dollar. By the end of each fiscal year, the fees collected and deposited in the Fund Balance with Treasury account must cover all outstanding obligations for goods or services ordered but not yet delivered.

Our budgetary resources come from patent fees, which, traditionally, have represented about three quarters of total budgetary resources; trademark fees, which have represented approximately one tenth; information dissemination fees; and other sources, which include carryover of prior year customer fee collections in excess of those authorized for spending in a particular year, unspent resources from the previous year, and prior year obligations no longer appropriate and therefore recovered for use in the current year, up to a specified limit authorized by the Congress. Any fluctuation experienced in patent fees or the patent industry will have a significant impact on budgetary resources.



In previous years, we were also subject to a patent fee surcharge established by the OBRA legislation. The OBRA required us to deposit specified amounts of surcharge fees into a special fund receipt account at Treasury each year. By the end of fiscal year 1998, we had deposited \$233.5 million. Although these fees have been earned and collected, the Congress controls their use. Budget authority is required to use these funds, and the entire amount remains restricted until appropriated.

The OBRA expired at the end of fiscal year 1998 and the *U.S. Patent and Trademark Office Reauthorization Act, Fiscal Year 1999* was enacted on November 10, 1998, providing a modest reduction—approximately 6 percent—in patent fees beginning in fiscal year 1999. The PTO is authorized by 35 U.S.C. 41(f) and 15 U.S.C. 1113(a) to adjust certain fees annually to reflect fluctuations in the Consumer Price Index (CPI). No CPI adjustment was made to fees for fiscal year 2000. However, we are considering legislative changes to adjust certain patent and trademark fees to reflect changes in costs among business line activities, products, and services, and the changes could become effective in fiscal year 2000.

## FINANCIAL INDICATORS

As was discussed previously, although we are fully customer-funded, we remain a U.S. Government agency subject to appropriations laws and congressional control. As such, our main objective is to maximize the use of our budgetary resources to provide a needed economic service, which is the protection of intellectual property rights. In contrast, a commercial business's objective in the private sector is to earn a profit and to enhance the return on investment.

Accordingly, when using standard private-sector

financial ratios to measure our financial performance, the results do not necessarily have the same meaning as they would for a private-sector business. Nonetheless, certain financial ratios can assist us in understanding the PTO's financial performance. To demonstrate the surcharge's effect on financial performance, the financial ratios that follow are presented, in total, and net of the OBRA surcharge.

	1999	1998	1997	1996	1995	1994
<b>Financial Ratios</b>						
Return on Net Position	19%	19%	30%	17%	46%	57%
Total Assets Turnover	1.14	0.99	1.09	1.09	1.30	1.61
Cash Flow Return on Assets	15%	24%	25%	24%	33%	31%
Operations Index	1.75	2.81	1.91	3.71	1.91	1.76
Current Ratio	1.60	1.62	1.55	1.44	1.50	1.27
<b>Financial Ratios, Net of Surcharge</b>						
Return on Net Position	53%	-16%	23%	6%	49%	65%
Total Assets Turnover	1.59	1.22	1.27	1.23	1.43	1.75
Cash Flow Return on Assets	21%	18%	21%	22%	32%	29%
Operations Index	1.75	-4.94	3.27	13.94	2.30	2.02
Current Ratio	1.01	1.05	1.14	1.17	1.26	1.09

**Return on Net Position:** Measures management performance and operating effectiveness in terms of results of operations per dollar of net position. In a private-sector business higher returns typically reflect higher performance and effectiveness. Over the past six years, as the cumulative surcharge component of our net position has grown significantly, return on net position has steadily declined. A view of the return on net position net of the surcharge reveals the significant effect that the surcharge has had on operations, particularly in the most recent years (fiscal years 1998, 1997, and 1996), as the annual OBRA surcharge grew considerably.

**Total Assets Turnover:** Measures operating efficiency in terms of total revenue per dollar of total assets. Higher turnover ratios reflect greater ability in using total assets to generate revenue. Over the past six years, our total assets turnover has declined markedly, going from 1.61 five years ago down to 1.14 in fiscal year 1999. However, the major impetus for the decline is inclusion of the surcharge amounts in the calculation. Without the surcharge amounts, our total assets turnover has only declined slightly, going from 1.75 five years ago down to 1.59 in fiscal year 1999.

**Cash Flow Return on Assets:** Measures operating effectiveness in terms of cash generated from operations per dollar of total assets. Higher cash flow returns reflect greater operating performance. For fiscal year 1999, our cash flow return on assets was 15 percent. Over the five previous years, our return remained in the 24 to 33 percent range, however this includes the OBRA surcharge amounts in the calculation. This year, without the surcharge, our cash flow return on

assets is actually higher, whereas in previous years our cash flow return on assets computed out higher without the surcharge amounts in the calculation. It is also significant to note that as the surcharge amounts have grown significantly in recent years, the differences between the two calculations of this ratio have also grown broader.

**Operations Index:** Measures operating effectiveness in terms of cash generated from operations per dollar of results of operations. A higher index reflects greater operating performance. At first glance, our operations index appears to indicate that we have been generating between \$1.75 and \$3.71 of cash for each dollar of net results of operations. When the effects of the surcharge are removed from this computation, the cash generated from operations range goes from \$(4.94) up to \$13.94, revealing the OBRA surcharge's significant effect on our operations.

**Current Ratio:** Measures the adequacy of resources in terms of current assets per dollar of current liabilities. Ratios of greater than 1.0 indicate that current assets are sufficient to cover current liabilities. At first glance, it appears that there has been sufficient coverage over the past six years, but this is due to the restricted surcharge cash being included in our current assets. Without the surcharge, our current ratio is just slightly over 1.0 for each of the past six years presented.

## LIQUIDITY AND CAPITAL RESOURCES

Examining our total asset balance over the past six years reveals a steady pattern of growth through fiscal year 1998. Cash and Fund Balance with Treasury along with property and equipment continue to represent approximately 99.0 percent of total assets. The OBRA surcharge on patent fees collected each year was the contributing factor to the consistent growth in assets. The funds collected from the patent surcharge were deposited into the Fund Balance with Treasury special fund receipt account. The fiscal year 1999 decline in assets stemmed primarily from remitting \$71.0 million from the PTO's Fund Balance with

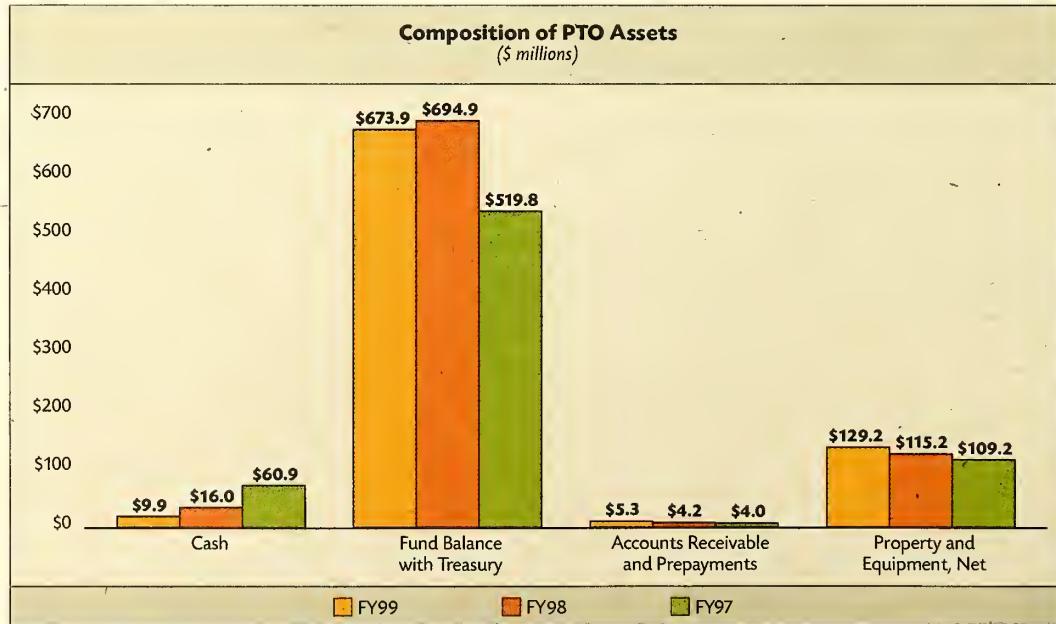
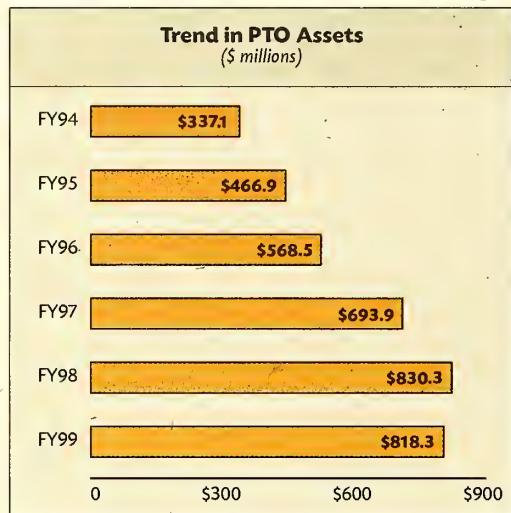
Treasury account to the general fund of the Treasury in the first quarter of the year, and then remitting another \$1.0 million at the end of the year.

### Cash and Fund Balance with Treasury

During fiscal year 1999, we generated a net of \$122.3 million in cash from patent and trademark fees and other operating activities, a decrease of \$76.0 million, or 38.3 percent, from the \$198.3 million generated during fiscal year 1998. The primary causes for the fiscal year 1999 decrease were the elimination of the OBRA patent fee surcharge and the modest reduction in patent fees that became effective during the first quarter of fiscal year 1999. The fiscal year 1998 net cash from operations included \$92.0 million in patent fee surcharge collections that were not collected in fiscal year 1999.

Of the \$122.3 million generated from operating activities during fiscal year 1999, \$77.4 million was invested in new property and equipment, principally automation technology. This amount represents an increase of \$9.3 million, or 13.7 percent, from the \$68.1 million of net cash invested in property and equipment during fiscal year 1998.

After funding fiscal year 1999 investments in automation technology, the net cash provided by our operating and investing activities was \$44.9 million.



However, \$72.0 million in rescissions of funds left us with negative cash flow, which is a \$27.1 million net use of cash for the year. This represents a decrease of 120.8 percent from the \$130.3 million in cash provided during fiscal year 1998.

Fiscal year 1999 ended with a total of \$683.8 million in cash accounts and Fund Balance with Treasury, a 3.8 percent decline from the fiscal year 1998 balance. The financial statements, if interpreted on a cash-basis, may lead one to presume that the entire cash and Fund Balance with Treasury are funds available for spending rather than funds previously obligated that will be used to liquidate current outstanding obligations. Of the total \$683.8 million, \$245.3 million was set aside for the payment of existing obligations,

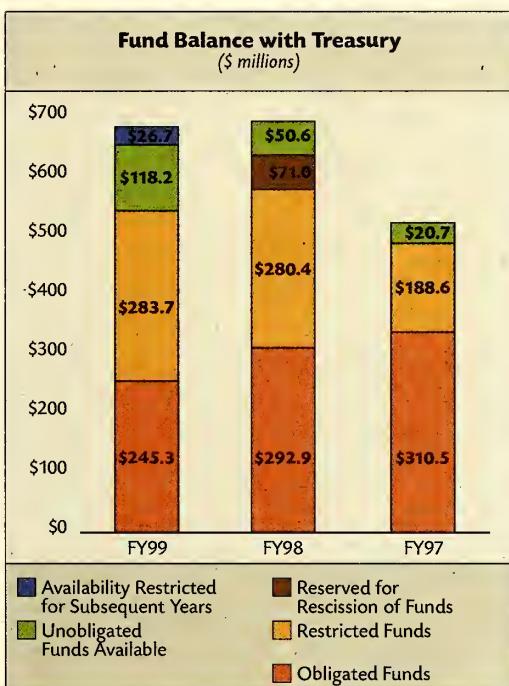
and obligated funds, only \$144.9 million remains in the Fund Balance with Treasury. This ending balance includes \$26.7 million of restricted fees not available for use until subsequent fiscal years. Only \$2.2 million, or 0.3 percent, was available to meet fiscal year 1999 patent and trademark needs with an additional \$116.0 million, or 17.0 percent, available to meet remaining patent and trademark program needs arising in fiscal year 2000.

### Property and Equipment

At the end of fiscal year 1999, we held a net book value of \$129.2 million in property and equipment (P&E) representing the original acquisition value of \$295.0 million less accumulated depreciation of \$165.8 million. The net book value increased \$14.0 million, or 12.2 percent, over the fiscal year 1998 balance of \$115.2 million. The increase reflects the substantial and sustained commitment to automation technology.

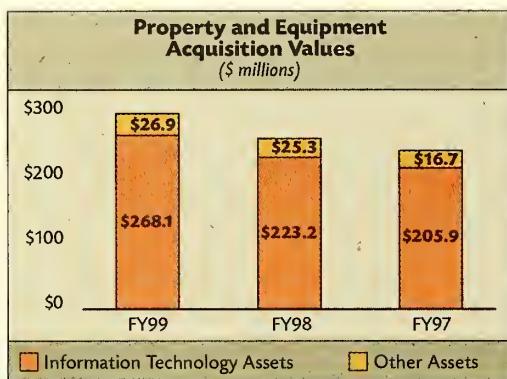
P&E is one of our largest owned assets. Investment in automation technology has increased substantially in recent years, and continues to be a high priority. Technological advancements provide new opportunities to modernize and streamline operations. These advancements will provide the most accessible means to a wide variety of data and will also help reduce the flow of paper and the storage required to house paper documentation. Further, it will maintain the integrity of data files and the ability to retrieve those files efficiently. The benefits of electronic data capture, data searching, and retrieval of patent and trademark information are clear.

We have not automated without a well thought-out plan, nor have we automated simply for the sake of automation. To meet the challenges of the future, we have developed an ambitious strategic agenda to help position the PTO to operate more successfully and efficiently in the 21st century. Our agenda is documented in the five-year Strategic Information Technology Plan that is updated annually to deliver



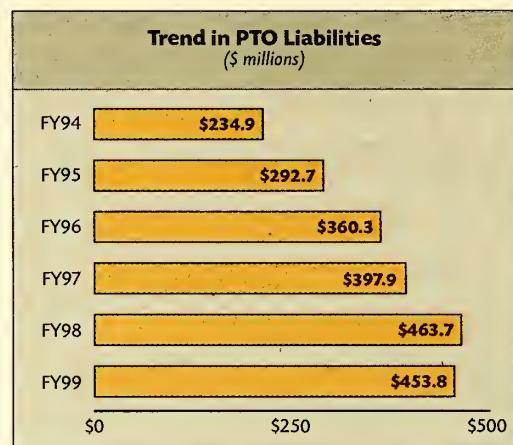
\$233.5 million continues to be restricted as required by the OBR&A, \$9.9 million represented cash or checks in transit, and \$50.2 million represented moneys held on deposit in trust for customers. Clearly, private-sector businesses would not have the \$245.3 million in funds dedicated for outstanding obligations displayed outside of the liabilities in the financial statements. Therefore, after considering the restricted

these automation benefits in a pragmatic and timely manner. An important component of our agenda is "leveraging information technology." This corporate strategic response enables us to maintain current production levels, improve and enhance current business operations, and add new capability by migrating automated information systems to operate on an evolving information technology infrastructure. This will bring us closer to goals for reductions in patent and trademark cycle times, elimination of paper-based processing, and evolution of the businesses from manual to electronic commerce and an electronic workplace.



## Liabilities

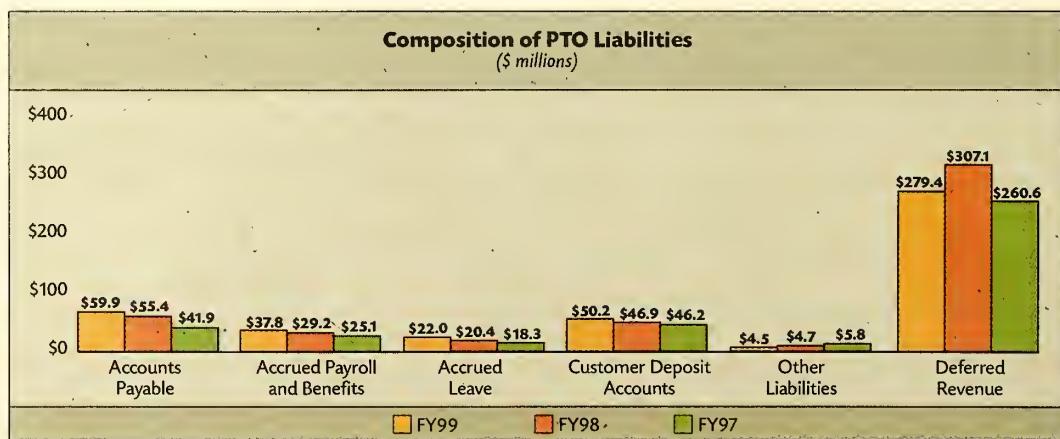
Examining our total liability balance over the past six years reveals a steady incline through fiscal year 1998, with a slight decline in fiscal year 1999. Deferred revenue, amounts payable to vendors for goods and services, amounts payable for employee salaries and benefits, and accounts held on deposit for customers represent approximately 94.0 percent of total liabilities.



The largest of the liabilities is deferred revenue. Even though fees have risen, workloads have also increased, causing longer cycle times and deferred revenue to increase as well, from \$129.1 million in fiscal year 1994 to \$307.1 million in fiscal year 1998, with a slight decline to \$279.4 million in fiscal year 1999. Further, as additional people are employed to address growth, liabilities for salaries and benefits increase. Likewise, as workloads increase and the economy continues to flourish, more inventions and trademarks are encouraged, which in turn increases the amounts of funds customers are requesting to be held on deposit for their use.

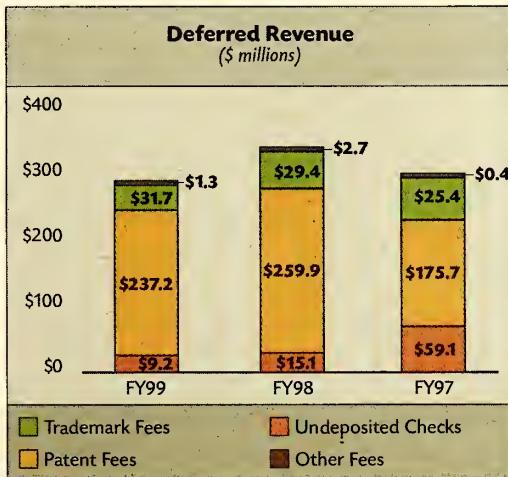
## Deferred Revenue

Revenue is deferred from fees received for services requested but not fully provided and earned; that is, the undeposited checks at year-end and calculations for recognizing income for fees collected as patent and trademark applications pass through the various examination and processing stages.



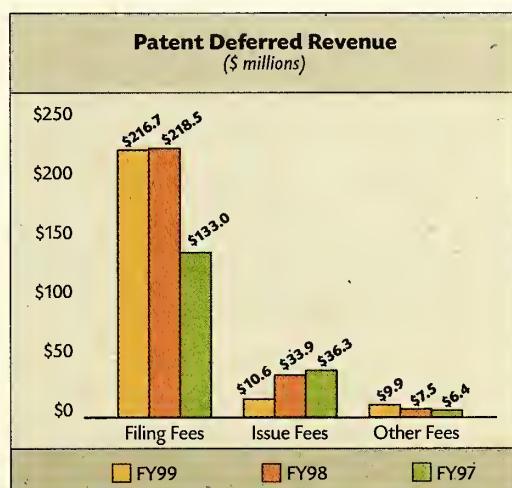
Total deferred revenue at the end of fiscal year 1999 was \$279.4 million, a decrease of \$27.7 million, or 9.0 percent from the fiscal year 1998 balance of \$307.1 million. Unearned patent fees at the end of fiscal year 1999 decreased \$22.7 million, or 8.7 percent, from the prior year while unearned trademark fees increased \$2.3 million, or 7.8 percent. Other unearned PTO fees (recording, printing, and copying) decreased \$1.4 million, or 51.9 percent, from fiscal year 1999 to 1998.

The decline in total deferred revenue is due in part to a significant decrease in the undeposited checks component of the liability, which decreased 39.1 percent from \$15.1 million at the end of fiscal year 1998 to \$9.2 million at the end of this year. This decrease in undeposited checks is attributable to improvements in the patents pre-examination process and an agency-wide effort to reduce the fee-processing backlog of undeposited checks. The revenue deferred from cash and checks received, but not yet deposited, decreased from approximately 15 days of fee deposits in fiscal year 1997 to approximately two days of fee deposits in fiscal year 1999.



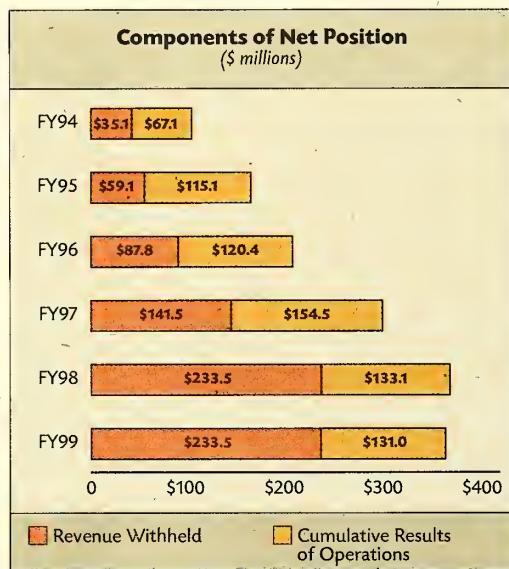
An additional contributing factor for the decrease in total deferred revenue is a change in workflow patterns for the patent issue process. A large portion of the initial data capture and building of a patent issue now occurs before receiving the fee instead of after receiving the fee, as in prior years. Unearned patent issue fees at the end of fiscal year 1999 were \$10.6 million, a decrease of \$23.3 million, or 68.7 percent from the fiscal year 1998 balance of \$33.9 million.

At first glance it might appear that the stability in revenue deferred for patent filing fees is due to controlling the workload or cycle time. However, despite the fact that revenue deferred for patent filing fees has remained relatively constant in the past two fiscal years, workloads have increased, exceeding the growth in patent production. The plateau is attributable to the modest reduction in patent fees for fiscal year 1999 offset with the increase in cycle time.



## Net Position

We capture and maintain the net position in two components: cumulative results of operations and revenue withheld. The net position section of the balance sheet is the residual interest in assets after deducting liabilities.



Examining the total net position over the past six years reveals a steady pattern of growth through fiscal year 1998, with a slight decline in fiscal year 1999. Like total assets, the primary contributor to the growth in total net position was the OBRA patent fee surcharge collected each year and deposited into the restricted special fund receipt account at the Treasury (revenue withheld). This restricted revenue withheld in prior years currently represents 64.1 percent of total net position. Total net position at the end of fiscal year 1999 was \$364.5 million, a decrease of \$2.1 million from the fiscal year 1998 total of \$366.6 million. The fiscal year 1999 decline in net position stemmed primarily from the decline in our cumulative results of operations, which was affected by the \$72.0 million rescissions of funds during the

year. However, it should be noted that as the revenue withheld balance has been increasing, the cumulative results of operations balance has been decreasing.

## Cumulative Results of Operations

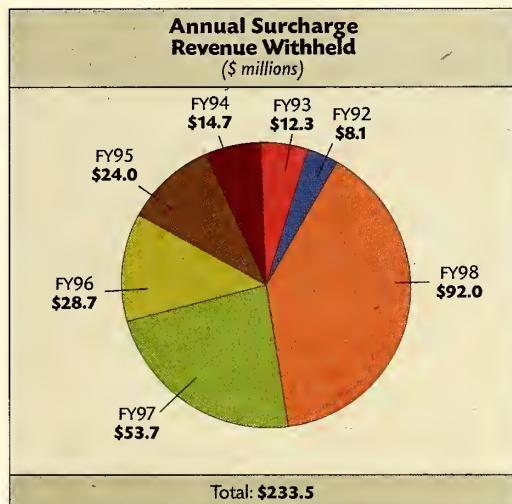
The cumulative results of operations (CRO) is the cumulative unrestricted net operating surplus recognized since inception. In theory, CRO should increase each year by the difference between revenue and financing sources and total expenses. In practice, less than the entire operating surplus has been added to CRO, because of the diversion to revenue withheld. This revenue withheld is considered an offset for spending in other Federal programs, which reduces our budget authority and restricts our ability to spend all of the customer fees to accomplish patent and trademark program objectives.

At the end of fiscal year 1999, CRO was \$131.0 million, comprising net P&E in the amount of \$129.2 million and non-cash assets totaling \$5.3 million, leaving the remaining interest in the cash and fund balance as negative \$3.5 million.

The negative \$3.5 million interest in cash and the fund balance is calculated on a financial accounting basis and does not reflect the impact of our obligations for \$162.8 million in unpaid undelivered orders (goods and services ordered, but not yet received) less \$1.5 million in advances that provide budgetary resources on the appropriation accounting basis. The negative interest in the fund balance cannot liquidate any portion of commitments for those unpaid undelivered orders. Future funding requirements in the amount of \$164.8 million will have to be earned, or surcharge revenue withheld will need to be appropriated, to liquidate unpaid undelivered orders and to meet liabilities, both funded and unfunded, at September 30, 1999.

## Revenue Withheld

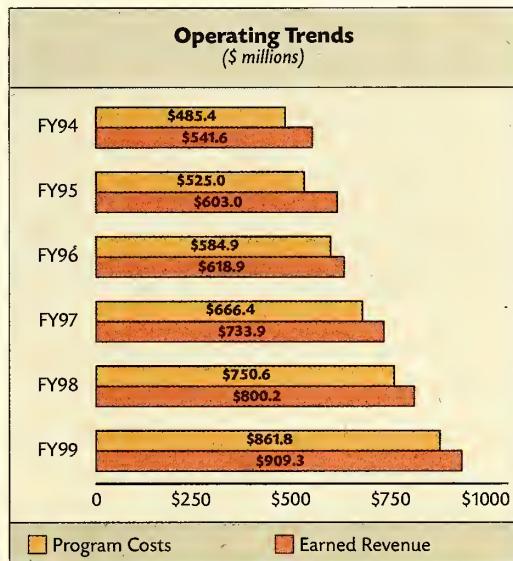
Revenue withheld is segregated as a portion of net position because the OBRA restricts its availability. Although customer-paid fees are earned, the fees can be made available for use only on the authorization of the Congress. From fiscal year 1992 through fiscal year 1998, increasing amounts of our customer fees were withheld. Initially, the surcharge amounts were small when compared with revenue, but the amounts increased over time. Annual amounts withheld ranged from \$8.1 million in fiscal year 1992 to \$92.0 million in fiscal year 1998, reaching a balance of \$233.5 million at the end of fiscal year 1998.



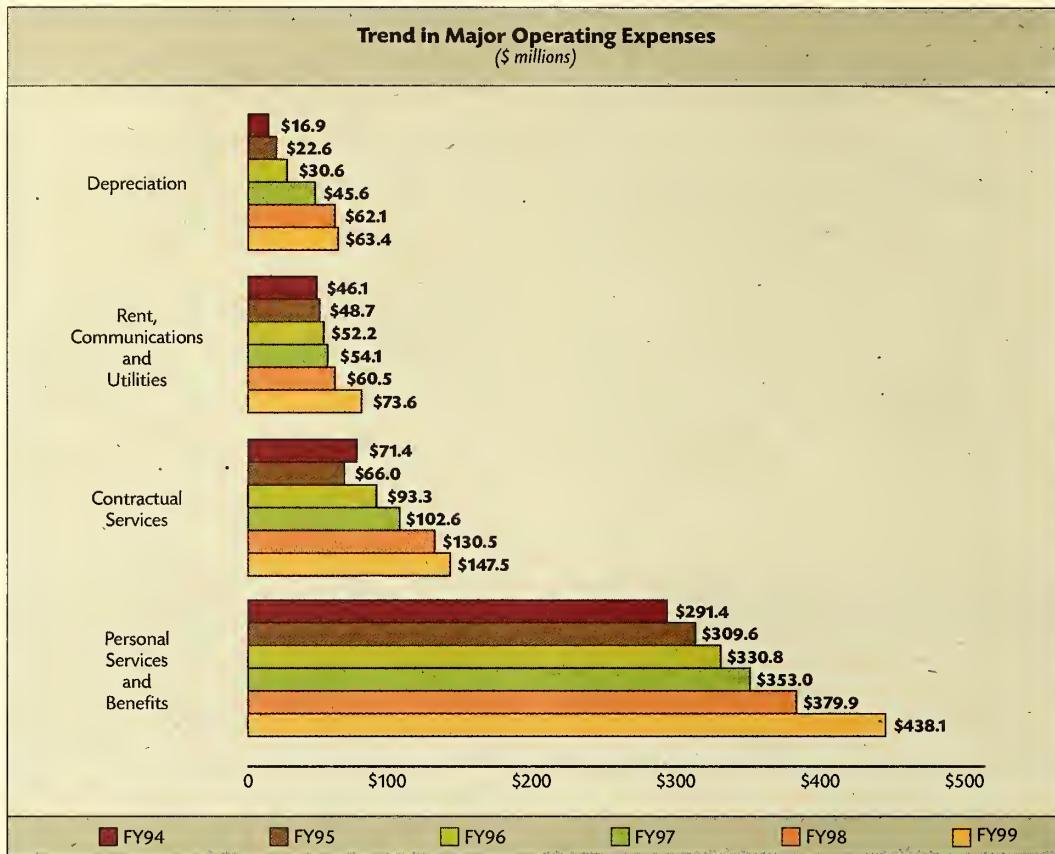
During fiscal year 1999, there was no additional fee revenue withheld, because the OBRA surcharge requirement expired at the end of fiscal year 1998. Although no additional funds were deposited into the restricted account during fiscal year 1999, the entire fund balance of \$233.5 million remains unavailable for use until the Congress appropriates it.

## RESULTS OF OPERATIONS

Earned revenue increased at rates significantly larger than program costs during fiscal years 1995 and 1997, causing large increases in net income from operations. However, the fiscal years immediately following those increases saw program costs increasing at rates significantly higher than earned revenue as is evident in the decline in net income from operations during fiscal years 1996 and 1998. Although earned revenue reached an all time high, in fiscal year 1999, unfortunately, we did not experience the same rebound in net income from operations that occurred during fiscal years 1995 and 1997.



Instead, net income from operations remained relatively stable with program costs and earned revenue growing at approximately the same rate. Total program costs for fiscal year 1999 were \$861.8 million, a 14.8 percent increase over total program costs of \$750.6 million in fiscal year 1998. Total earned revenue for fiscal year 1999 was \$909.3 million, a 13.6 percent increase over total earned revenue of \$800.2 million in fiscal year 1998. The higher rate of increase in program costs over earned revenue caused our net income from operations to decrease 4.2 percent from \$49.6 million during fiscal year 1998 to \$47.5 million during fiscal year 1999.



The PTO is a service organization and production is directly related to the personnel examining patent applications and registering trademarks. Accordingly, personal services and benefits costs traditionally represent over one-half of total costs. Any change or fluctuation in our staffing patterns directly affects the change in total program costs. Total personal services and benefits costs increased 15.3 percent from \$379.9 million during fiscal year 1998 to \$438.1 million during fiscal year 1999. This change drove the 14.8 percent increase in total program costs.

Rent, communications, utilities, contractual services, and depreciation costs traditionally comprise an additional 30.2 percent of total program costs each year. Rent, communications, and utilities tend to increase as we expand and grow. Likewise, as workload increases, additional outside contractors are needed to focus our efforts on the processing backlog. Contractor support was also needed to address the year 2000 issue and to continue improving automation technology to keep pace with the electronic workplace. Information technology research and development and systems analysis, documentation, and design are included as a component of contractual services. Depreciation costs rise as well with our growing investments in information technology.

Progress with enterprise-wide ABC accounting has allowed the PTO to move from managing program costs at a PTO-wide level to a business-line level. The costs for a particular program provide better information about specific operations. We compare trends in the PTO-wide costs to trends in the program or business-line costs to determine unusual fluctuations. As we continue to enhance and refine the ABC model, we become more adept at decreasing our traditionally indirect costs by obtaining a better understanding of a given activity and recording costs in the core accounting system at a more specific level. For example, during fiscal year 1999, as a result of refining the cost accounting methodology, we increased the amount of information technology costs attributable to specific business lines, and decreased such indirect costs not specifically connected to a business line. This more precise driving of costs to the benefiting business line is the result of greater scrutiny of the cost activities and related drivers as information regarding business operations improves. A discussion of the operations in each of our four business lines follows.

### **Patent Operations**

Despite a modest reduction of about six percent in patent fees, earned patent revenue for fiscal year 1999 reached an all-time high of \$777.6 million, a 12.5 percent increase over patent fee income of \$691.3 million in fiscal year 1998. Fiscal year 1999 patent maintenance fees accounted for \$257.6 million, or 33.1 percent of total patent fee revenue. Patent maintenance fees have traditionally been the largest category of patent fee income. Therefore, fluctuations in rates of renewal can significantly affect patent revenue. There can be no assurance that we will be able to sustain or improve on historic or current renewal rates in future years. Renewal rates are currently 83.1 percent at the first stage (at the end of the third year after a patent is issued), 57.9 percent at the second stage (at the end of the seventh year

after a patent is issued), and 37.7 percent at the third stage (at the end of the eleventh year after a patent is issued).

Total program costs relating to the patents business line for fiscal year 1999 were \$680.5 million, a 14.0 percent increase over total patents program costs of \$597.1 million in fiscal year 1998. The increase in total patents program costs was primarily driven by increases in personal services and benefits, contractual services, automation technology and printing expenses. In fiscal year 1999, personal services and benefits directly attributable to the patents program area were \$329.2 million, an increase of 15.2 percent over the fiscal year 1998 total of \$285.7 million. This increase is primarily due to hiring 800 patent examiners during fiscal year 1999. The additional examiners were brought on board to address the growing patent workload. In fiscal year 1999, outside contractual services relating to the patents program area were \$37.6 million, an increase of 7.7 percent over the fiscal year 1998 total of \$34.9 million. Likewise, automation technology expenses supporting the patents business line, which was widely supported by contractors, were \$92.2 million, a increase of 18.2 percent over the fiscal year 1998 total of \$78.0 million. In addition, as a result of issuing a larger number of patents, printing expenses increased 15.5 percent from \$36.2 million in fiscal year 1998 to \$41.8 million in fiscal year 1999.

### **Trademark Operations**

Earned revenue from trademark fees for fiscal year 1999 was \$98.2 million, a 25.2 percent increase over trademark fee income of \$78.4 million in fiscal year 1998. Total program costs relating to the trademark business line for fiscal year 1999 were \$109.4 million, a 26.2 percent increase over total trademarks program costs of \$86.7 million in fiscal year 1998. In fiscal year 1999, personal services and benefits directly attributable to the trademarks program area were \$45.1 million, an increase of 27.8 percent over the fiscal year

1998 total of \$35.3 million. This rise is primarily due to increasing trademark examining attorneys by 86 during fiscal year 1999. In fiscal year 1999, contractual services relating to the trademarks program area were \$6.4 million, an increase of 25.5 percent over the fiscal year 1998 total of \$5.1 million, which is in line with the increase in personal services and benefits. Because of the increase in staff required to decrease the workload backlog, additional support services were necessary. In fiscal year 1999, automation technology expense supporting the trademarks business line area was \$23.6 million, an increase of 44.8 percent over the fiscal year 1998 total of \$16.3 million.

### **Information Dissemination Organization Operations**

Earned revenue from the sale of information dissemination products for fiscal year 1999 was \$33.5 million, a 9.8 percent increase over information dissemination income of \$30.5 million in fiscal year 1998. Total program costs relating to the information dissemination business line for fiscal year 1999 were \$56.7 million, a 12.3 percent increase over the fiscal year 1998 total of \$50.5 million. In fiscal year 1999, personal services and benefits relating to the information dissemination program area were \$10.2 million, an increase of 3.0 percent over the fiscal year 1998 total of \$9.9 million. In fiscal year 1999, contractual services relating to the information dissemination program area were \$10.0 million, an increase of 26.6 percent over the fiscal year 1998 total of \$7.9 million. In fiscal year 1999, automation technology supporting the information dissemination business line was \$9.3 million, an increase of 69.1 percent over the fiscal year 1998 total of \$5.5 million. This large increase in automation technology was offset by a 25.0 percent decrease in printing costs from \$2.4 million in fiscal year 1998 to \$1.8 million in fiscal year 1999.

### **Intellectual Property Policy Operations**

Our intellectual property policy program area does not generate any revenue. Total program costs relating to the intellectual property policy program area for fiscal year 1999 were \$15.2 million, a 6.8 percent decrease from the fiscal year 1998 total of \$16.3 million. In fiscal year 1999, personal services and benefits relating to the intellectual property policy program area were \$6.5 million, an increase of 6.6 percent over the fiscal year 1998 total of \$6.1 million.

### **LIMITATIONS**

We have prepared our fiscal year 1999 financial statements in accordance with the requirements of the OMB Bulletin Number 97-01, *Form and Content of Agency Financial Statements*, and supplementary guidance provided by the DOC. OMB Bulletin Number 97-01 incorporates the concepts and standards contained in the Statements of Federal Financial Accounting Concepts (SFFAC) and the Statements of Federal Financial Accounting Standards (SFFAS) recommended by the Federal Accounting Standards Advisory Board (FASAB) and approved by the Secretary of the Treasury, the Director of the OMB, and the Comptroller General. On October 19, 1999 the American Institute of Certified Public Accountants Council designated the FASAB as the accounting standards-setting body for Federal government entities. Therefore, the SFFAS constitute generally accepted accounting principles (GAAP) for the Federal government. These concepts and standards have been set by FASAB to help Federal agencies comply with the requirements of the Chief Financial Officers Act of 1990 as amended by the Government Management and Reform Act of 1994. These two acts demand greater financial accountability from Federal agencies and require the integration of accounting, financial management, and cost accounting systems.

The financial statements that follow have been prepared in accordance with GAAP. Our financial statements consist of the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, the Statement of Budgetary Resources, the Statement of Financing, and the Statement of Cash Flows. The following limitations apply to the preparation of the financial statements:

- The financial statements have been prepared to report the PTO's financial position, net cost of operations, budgetary resources, and cash flows pursuant to the requirements of 31 U.S.C. 3515 (b).
- While the statements are prepared from our books and records in accordance with the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that the PTO is a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

In addition, certain information contained in this discussion and analysis and in other parts of this report may be deemed forward-looking statements regarding events and financial trends that may affect our future operating results and financial positions. Such statements may be identified by words such as "estimate," "project," "plan," "intend," "believe," "expect," "anticipate," or variations or negatives thereof, or by similar or comparable words or phrases. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. Such risks and uncertainties include, but are not limited to, the following: changes in U.S. or international intellectual property laws; changes in U.S. or global economic conditions; the availability, hiring and retention of qualified staff employees; management of patent and trademark growth; government regulations; disputes with labor organizations; and deployment of new technologies. We undertake no obligation to publicly update these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

United States Patent and Trademark Office

**Consolidated Balance Sheets**

As of September 30, 1999 and 1998

<i>(Dollars in Thousands)</i>	<b>1999</b>	<b>1998</b>
<b>ASSETS</b>		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 673,902	\$ 694,954
Accounts Receivable	1,545	2,353
Advances and Prepayments (Note 3)	753	1,463
Total Intragovernmental Assets	676,200	698,770
Cash	9,912	15,980
Accounts Receivable, Net	626	363
Advances and Prepayments (Note 3)	2,338	7
Property and Equipment, Net (Note 4)	129,180	115,159
Total Assets	<u>\$ 818,256</u>	<u>\$ 830,279</u>
<b>LIABILITIES</b>		
Intragovernmental Liabilities:		
Accounts Payable	\$ 4,189	\$ 4,541
Accrued Payroll and Benefits	4,563	2,745
Accrued Postemployment Compensation	806	917
Customer Deposit Accounts (Note 2)	2,784	1,497
Total Intragovernmental Liabilities	12,342	9,700
Accounts Payable	55,728	50,800
Accrued Payroll and Benefits	33,255	26,497
Accrued Leave	21,981	20,352
Customer Deposit Accounts (Note 2)	47,423	45,424
Deferred Revenue (Note 6)	279,357	307,131
Actuarial Liability (Note 7)	3,699	3,797
Total Liabilities (Note 5)	<u>453,785</u>	<u>463,701</u>
<b>NET POSITION</b>		
Cumulative Results of Operations	130,942	133,049
Revenue Withheld	<u>233,529</u>	<u>233,529</u>
Total Net Position	<u>364,471</u>	<u>366,578</u>
Total Liabilities and Net Position	<u>\$ 818,256</u>	<u>\$ 830,279</u>

The accompanying notes are an integral part of these financial statements.

United States Patent and Trademark Office

# Consolidating Statement of Net Cost

For the years ended September 30, 1999 and 1998

(Dollars in Thousands)	1999			1998	
	Patents	Trademarks	Information Dissemination	Intellectual Property Policy	Total
<b>PROGRAM</b>					
<b>Advancement of Commerce and Trade</b>					
With the Public	\$ 522,843	\$ 84,038	\$ —	\$ 11,717	\$ 618,598
Intragovernmental	<u>157,690</u>	<u>25,352</u>	<u>—</u>	<u>3,534</u>	<u>186,576</u>
Total Program Cost	680,533	109,390	—	15,251	805,174
Earned Revenue	<u>(777,668)</u>	<u>(98,208)</u>	<u>—</u>	<u>—</u>	<u>(875,876)</u>
Net Program (Income)/Cost-	<u>(97,135)</u>	<u>11,182</u>	<u>—</u>	<u>15,251</u>	<u>(70,702)</u>
<b>Collection, Analysis, and Dissemination of Statistical and Technical Information</b>					
With the Public	—	—	43,519	—	43,519
Intragovernmental	—	—	<u>13,152</u>	—	<u>13,152</u>
Total Program Cost	—	—	56,671	—	56,671
Earned Revenue	—	—	<u>(33,479)</u>	—	<u>(33,479)</u>
Net Program Cost	—	—	<u>23,192</u>	—	<u>23,192</u>
Net (Income)/Cost from Operations	<u>\$ (97,135)</u>	<u>\$ 11,182</u>	<u>\$ 23,192</u>	<u>\$ 15,251</u>	<u>\$ (47,510)</u>
<b>TOTAL ENTITY</b>					
Total Program Cost	—	—	—	—	—
(Notes 10 and 11)	\$ 680,533	\$ 109,390	\$ 56,671	\$ 15,251	\$ 861,845
Earned Revenue	<u>(777,668)</u>	<u>(98,208)</u>	<u>(33,479)</u>	<u>—</u>	<u>(909,355)</u>
Net (Income)/Cost from Operations	<u>\$ (97,135)</u>	<u>\$ 11,182</u>	<u>\$ 23,192</u>	<u>\$ 15,251</u>	<u>\$ (47,510)</u>

The accompanying notes are an integral part of these financial statements.

United States Patent and Trademark Office

# Consolidating Statement of Changes in Net Position

For the years ended September 30, 1999 and 1998

(Dollars in Thousands)	1999				1998	
	Patents	Trademarks	Information Dissemination	Intellectual Property Policy	Total	Total
Net Income/(Cost) from Operations	\$ 97,135	\$ (11,182)	\$ (23,192)	\$ (15,251)	\$ 47,510	\$ 49,593
Other Financing Sources:						
Imputed Financing (Note 9)	<u>18,462</u>	<u>2,671</u>	<u>954</u>	<u>345</u>	<u>22,432</u>	<u>20,901</u>
Net Increase/(Decrease) in Cumulative Results of Operations	<u>\$ 115,597</u>	<u>\$ (8,511)</u>	<u>\$ (22,238)</u>	<u>\$ (14,906)</u>	<u>69,942</u>	<u>70,494</u>
Non Operating Change—Rescissions					<u>(72,049)</u>	<u>—</u>
Increase/(Decrease) in Net Position					<u>(2,107)</u>	<u>70,494</u>
Net Position, Beginning Balance					<u>366,578</u>	<u>296,084</u>
Net Position, Ending Balance					<u>\$ 364,471</u>	<u>\$ 366,578</u>

The accompanying notes are an integral part of these financial statements.

United States Patent and Trademark Office

# Consolidated Statement of Budgetary Resources

For the years ended September 30, 1999 and 1998

(Dollars in Thousands)	1999	1998
<b>Budgetary Resources</b>		
Budget Authority	\$ (1,049)	\$ 27,000
Unobligated Balances—Beginning of Period	121,579	20,684
Spending Authority from Offsetting Collections	888,213	772,797
Adjustments (Note 12)	<u>(202,927)</u>	<u>3,719</u>
Total Budgetary Resources	<u><u>\$ 805,816</u></u>	<u><u>\$ 824,200</u></u>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$ 803,571	\$ 702,621
Unobligated Balances—Available	2,245	13,263
Unobligated Balances—Not Available	—	108,316
Total Status of Budgetary Resources	<u><u>\$ 805,816</u></u>	<u><u>\$ 824,200</u></u>
<b>Outlays</b>		
Obligations Incurred	\$ 803,571	\$ 702,621
Spending Authority from Offsetting Collections and Adjustments	(898,969)	(776,516)
Obligated Balance, Net—Beginning of Period	292,940	310,584
Obligated Balance, Net—End of Period	<u>(245,253)</u>	<u>(292,940)</u>
Total Net Collections	<u><u>\$ (47,711)</u></u>	<u><u>\$ (56,251)</u></u>

The accompanying notes are an integral part of these financial statements.

United States Patent and Trademark Office

# Consolidated Statement of Financing

For the years ended September 30, 1999 and 1998

(Dollars in Thousands)	1999	1998
<b>Obligations and Nonbudgetary Resources</b>		
Obligations Incurred	\$ 803,571	\$ 702,621
Spending Authority from Offsetting Collections and Adjustments	(898,969)	(776,516)
Appropriation Collected	—	(27,000)
Financing Imputed for Cost Subsidies	22,432	20,901
Exchange Revenue not in the Budget	(308)	(92,167)
Total Obligations, as Adjusted, and Nonbudgetary Resources	<u>(73,274)</u>	<u>(172,161)</u>
<b>Resources Not Funding Net Cost of Operations</b>		
Change in Amount of Goods, Services, and Benefits		
Ordered but not yet Received or Provided	58,283	34,398
Costs Capitalized on the Balance Sheet	(77,440)	(68,059)
Financing Sources that Fund Costs of Prior Periods	(1,970)	(538)
Financing Sources that Fund Costs of Future Periods	<u>68,716</u>	<u>90,588</u>
Total Resources not Funding Net Cost of Operations	<u>47,589</u>	<u>56,389</u>
<b>Net Costs Not Requiring or Generating Resources</b>		
Depreciation	63,419	62,136
Revenue not Generating Resources	(90,588)	—
Other Costs not Requiring Resources	<u>12</u>	<u>—</u>
Total Net Costs not Requiring or Generating Resources	<u>(27,157)</u>	<u>62,136</u>
Financing Sources yet to be Provided	<u>5,332</u>	<u>4,043</u>
Net Income from Operations	<u>\$ (47,510)</u>	<u>\$ (49,593)</u>

The accompanying notes are an integral part of these financial statements.

United States Patent and Trademark Office

# Consolidated Statement of Cash Flows

## (Indirect Method)

For the years ended September 30, 1999 and 1998

(Dollars in Thousands)	1999	1998
		(Unaudited)
<b>Cash Flows from Operating Activities</b>		
Net Increase in Cumulative Results of Operations	<u>\$ 69,942</u>	<u>\$ 70,494</u>
Adjustments Affecting Cash Flow:		
Decrease in Accounts Receivable	545	1,292
Increase in Advances and Prepayments	(1,621)	(1,463)
Increase in Accounts Payable	4,576	13,477
Increase in Accrued Payroll and Benefits	8,576	4,137
Increase in Accrued Leave and Postemployment Compensation	1,518	2,023
Increase in Customer Deposit Accounts	3,286	758
(Decrease)/Increase in Deferred Revenue	(27,774)	46,575
Decrease in Actuarial Liability	(98)	(236)
Decrease in Other Liabilities	—	(871)
Depreciation, Amortization or Loss on Asset Dispositions	<u>63,419</u>	<u>62,136</u>
Total Adjustments	<u>52,427</u>	<u>127,828</u>
Net Cash Provided by Operating Activities	<u>122,369</u>	<u>198,322</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(77,440)	(68,059)
Net Cash Used in Investing Activities	<u>(77,440)</u>	<u>(68,059)</u>
<b>Cash Flows from Financing Activities</b>		
Rescissions	(72,049)	—
Net Cash Used in Financing Activities	<u>(72,049)</u>	<u>—</u>
Net Cash (Used)/Provided by Operating, Investing, and Financing Activities	<u>\$ (27,120)</u>	<u>\$ 130,263</u>
Fund Balance with Treasury and Cash, Beginning	\$ 710,934	\$ 580,671
Net Cash (Used)/Provided by Operating, Investing, and Financing Activities	<u>(27,120)</u>	<u>130,263</u>
Fund Balance with Treasury and Cash, Ending	<u>\$ 683,814</u>	<u>\$ 710,934</u>
Fund Balance with Treasury	\$ 673,902	\$ 694,954
Cash	9,912	15,980
Fund Balance with Treasury and Cash, Ending	<u>\$ 683,814</u>	<u>\$ 710,934</u>

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

## Note 1.

### Summary of Significant Accounting Policies

#### Reporting Entity

The U.S. Patent and Trademark Office (PTO) is a bureau of the U.S. Department of Commerce (DOC) promoting the use of intellectual property rights—patents, trademarks, and copyrights—as a means of achieving economic prosperity. The PTO administers the laws relevant to patents and trademarks and advises the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property.

The PTO has four core business activities: processing patent applications, registering trademarks, disseminating information about patents and trademarks, and directing intellectual property policy. These activities not only give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, but also provide protection for their inventions and trademarks.

The financial statements include the accounts for salaries and expenses (13X1006), special fund receipts (revenue withheld) (135127), special fund expenditures (13X5127), and customer deposits (13X6542) which are under the control of the PTO. The Federal budget classifies the PTO under the Commerce and Housing Credit (370) budget function. The PTO does not have custodial responsibility, nor does it have lending or borrowing authority.

#### Basis of Presentation

As required by the Chief Financial Officers Act of 1990 (CFO Act) and 31 U.S.C. 3515 (b), the accompanying financial statements present the financial position, net cost of operations, budgetary resources, and cash flows for the core business activities of the PTO. The books and records of the PTO serve as the source of this information.

These financial statements were prepared in accordance with the guidelines specified by the Office of Management and Budget (OMB) in Bulletin Number 97-01, *Form and Content of Agency Financial Statements*, as well as the accounting policies of the PTO and the DOC. They may therefore differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the PTO's budgetary resources.

#### Basis of Accounting

Transactions are recorded on the accrual basis of accounting as well as on a budgetary basis. Budgetary accounting enables compliance with the requirements for and controls over the use of Federal funds. Under the accrual method, revenue is recognized when earned and expenses are recognized when goods or services are received, without regard to the receipt or payment of cash. The accompanying financial statements are presented on the accrual basis of accounting.

Under the authority of the CFO Act, the Federal Accounting Standards Advisory Board (FASAB) was established to recommend Federal accounting principles and standards to the Secretary of the Treasury, the Director of the OMB and the Comptroller General, co-principals of the Joint Financial Management Improvement Program (JFMIP). Specific accounting principles and standards agreed upon by the three co-principals are issued by the Director of the OMB

and the Comptroller General. On October 19, 1999 the American Institute of Certified Public Accountants Council designated the FASAB as the accounting standards-setting body for Federal government entities. Therefore, the Statements of Federal Financial Accounting Standards (SFFAS) constitute generally accepted accounting principles (GAAP) for the Federal government.

The accounting principles and standards applied in preparing these financial statements are in accordance with GAAP and the following hierarchy of accounting principles:

- Individual standards agreed to by the Director of the OMB, the Comptroller General, and the Secretary of the Treasury and published by the OMB and the General Accounting Office.
- Interpretations related to the SFFASs issued by the OMB in accordance with the procedures outlined in OMB Circular A-134, *Financial Accounting Principles and Standards*.
- Requirements contained in the OMB's Form and Content Bulletin in effect for the period covered by the financial statements.

Accounting principles published by other authoritative standard-setting bodies and other authoritative sources (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting principles improves the meaningfulness of the financial statements.

#### **Budgets and Budgetary Accounting**

The PTO has been fully fee-funded since fiscal year 1993. Appropriated funds from general taxpayer revenue were gradually eliminated following the passage of the Omnibus Budget Reconciliation Act (OBRA) in 1990.

The OBRA established revenue withholding on statutory patent fees. Subsequent legislation (a) removed the reference to a specific surcharge withholding of 69 percent, (b) required the PTO to withhold and deposit exact amounts of revenue, and

(c) extended the revenue withholding through the end of fiscal year 1998. This withheld revenue constitutes offsetting receipts, and was deposited into a restricted special fund receipt account at the U.S. Department of the Treasury (Treasury). The PTO may use moneys from this account only as authorized by the Congress, and only as made available by the issuance of a Treasury warrant. Excess moneys not appropriated to the PTO by the Congress are retained in the restricted receipt account at the Treasury. During fiscal year 1998, the PTO collected and deposited \$92,000 thousand in the restricted special fund receipt account and recognized the entire amount collected as exchange revenue on its Statement of Net Cost. The total fund balance as of September 30, 1998 is \$233,529 thousand.

*The U.S. Patent and Trademark Reauthorization Act, Fiscal Year 1999* reset patent statutory fees without the OBRA surcharge. As of September 30, 1999, the PTO has not collected or deposited any additional amounts in the restricted special fund receipt account. The special fund receipt account currently has no liabilities, and the entire fund balance will remain restricted until appropriated.

Fees other than the restricted revenue withholding are offsetting collections subject to an annual congressional limitation, and are available to the PTO until expended. Funds authorized but not used in a given fiscal year are carried forward for use in future periods.

#### **Revenue and Other Financing Sources**

The PTO's user fee rates are established by rule and law and, consequently, in some instances may not represent full cost or market price. Since fiscal year 1993, PTO funding has been primarily through the collection of user fees. Fees that are remitted with initial applications and requests for other services are recorded as exchange revenue when received, with an adjustment at year-end to defer revenue for services that have not yet been performed.

Revenue withheld pursuant to the OBRA is also recognized as exchange revenue. Amounts remitted by customers for services not yet requested are recorded as liabilities in customer deposit accounts until those services are ordered.

The PTO's share of the cost to the Federal government for providing pension and other post-retirement benefits to eligible PTO employees is recognized as an imputed financing source.

The PTO also receives some financial gifts and gifts-in-kind from anonymous donors. All such transactions are included in the consolidated Gifts and Bequests Fund financial statements prepared by the DOC. These gifts are not of significant value and are not reflected in the PTO's financial statements. Most gifts-in-kind are used for official travel to further the attainment of the mission and objectives of the PTO.

#### **Entity/Non-Entity**

Assets that an entity is authorized to use in its operations are termed entity assets, while assets that are held by an entity but are not available for the entity's use are termed non-entity assets. With the exception of a portion of the Fund Balance with Treasury, all of the PTO's assets are entity assets and are available to carry out the mission of the PTO within existing budget constraints.

#### **Fund Balance with Treasury**

The Financial Management Service (FMS) of the Treasury maintains commercial bank accounts for revenue collected. All moneys maintained in these accounts are transferred to the Federal Reserve Bank on the next business day following the day of deposit. In addition, certain customer deposits are wired directly to the Federal Reserve Bank.

All banking activity is conducted in accordance with the directives issued by the FMS of the Treasury. The amount of unrestricted funds held by the Treasury that are available to pay current liabilities and to finance authorized purchases is limited each year by the Congress in the PTO's annual appropriation. All disbursements are processed by the Treasury.

#### **Accounts Receivable**

Intragovernmental accounts receivable represent amounts due from other Federal entities. Of total intragovernmental accounts receivable, \$1,543 thousand and \$2,315 thousand as of September 30, 1999 and 1998, respectively, are due to a financing agreement that the PTO and the DOC entered into during fiscal year 1995 to fund the Commerce Administrative Management System.

Governmental accounts receivable from the public represent a very small portion of the PTO's assets as the PTO requires payment prior to the provision of goods or services during the course of its core business activities. Therefore, governmental accounts receivable are comprised of amounts due from (a) former employees for the reimbursement of education expenses; (b) Patent and Trademark Depository Libraries; and (c) the European Patent Office (EPO) and the Japanese Patent Office (JPO) in accordance with a fiscal year 1999 trilateral agreement.

The PTO recorded a \$12 thousand and \$182 thousand allowance for uncollectible amounts to reduce the gross amount of its governmental accounts receivable to its net realizable value as of September 30, 1999 and 1998, respectively.

#### **Advances and Prepayments**

On occasion, the PTO prepays amounts in anticipation of receiving future benefits. Although a payment has been made, an expense is not recorded until goods have been received or services have been performed. The PTO also advances funds to personnel for travel costs and expenses these amounts after travel has occurred.

#### **Cash**

Most of the PTO's cash balance consists of un-deposited checks for fees that were not processed at the balance sheet date due to the lag time between receipt and initial review. All such un-deposited cash amounts are considered to be cash equivalents. Cash is also held outside the Treasury to be used as imprest funds for small

purchases, local travel, and emergency salary advances. As of September 30, 1999 and 1998 the cash balance includes undeposited checks

of \$9,897 thousand and \$15,965 thousand, respectively. An imprest fund of \$15 thousand was also held for each year.

### Property and Equipment

The PTO's capitalization policies are summarized below:

Classes of Property and Equipment	Capitalization Threshold for Individual Purchases	Capitalization Threshold for Bulk Purchases
ADP Equipment	\$25 thousand or greater	\$500 thousand or greater
Software	\$25 thousand or greater	Not applicable
Software in Progress	\$25 thousand or greater	Not applicable
Furniture	\$25 thousand or greater	\$ 50 thousand or greater
Equipment	\$25 thousand or greater	\$500 thousand or greater

Contractor costs for developing custom software are capitalized when incurred for the design, coding, and testing of the software. Software in Progress is not amortized until placed in service.

All other property and equipment acquisitions are expensed upon receipt. Fully depreciated assets purchased prior to October 1, 1996 may be written off against accumulated depreciation. The buildings in which the PTO operates are leased from private concerns by the General Services Administration (GSA). Long-term leases are negotiated by the GSA and rent charges approximate to commercial rental rates are levied by the GSA and paid by the PTO. The lease arrangements with the GSA are considered operating leases.

### Postemployment Compensation

Claims brought by employees of the PTO for on-the-job injuries fall under the Federal Employees Compensation Act (FECA) administered by the U.S. Department of Labor (DOL). The DOL bills each agency annually as its claims are paid, but payment on these bills is deferred two years to allow for funding through the budget process. As of September 30, 1999, the PTO recorded a \$789 thousand liability for claims paid on its behalf during the benefit period July 1,

1997 through September 30, 1999. At September 30, 1998, the PTO recorded a \$889 thousand liability for claims paid on its behalf during the benefit period July 1, 1996 through September 30, 1998.

Employees of the PTO who lose their jobs through no fault of their own may receive unemployment compensation benefits under the unemployment insurance program administered by the DOL. The DOL bills each agency quarterly as its claims are paid. As of September 30, 1999, the PTO recorded a \$17 thousand liability for the quarter ended September for claims paid by the DOL on the PTO's behalf. At September 30, 1998, the PTO recorded a \$28 thousand liability for the quarters ended June and September.

### Annual, Sick, and Other Leave

Annual leave and compensatory time are accrued as earned, with the accrual being reduced as leave is taken. An adjustment is made each fiscal year to ensure that the balances in the accrued leave accounts reflect current pay rates. No portion of this liability has been obligated. To the extent current or prior year funding is not available to pay for leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

### **Employee Retirement Systems and Benefits**

Employees of the PTO participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The FERS was established by the enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees who had five years of federal civilian service prior to 1984 and who are rehired after a break in service of more than one year may be able to elect to join the FERS and Social Security system or be placed in the CSRS offset retirement system.

The financial statements of the PTO do not report CSRS or FERS assets or accumulated plan benefits that may be applicable to its employees. The reporting of such liabilities is the responsibility of the U.S. Office of Personnel Management. While the PTO reports no liability for future payments to employees under these programs, the Federal government is liable for future payments to employees through the various agencies administering these programs. The PTO does not fund post-retirement benefits such as the Federal Employees Health Benefit (FEHB) Program and the Federal Employees Group Life Insurance (FEGLI) Program. The PTO also is not required to fully fund the CSRS pension liabilities. The financial statements of the PTO recognize an imputed financing source and corresponding expense that represents the PTO's share of the cost to the Federal government of providing pension and post-retirement health and life insurance benefits to all eligible PTO employees.

For those employees covered by the CSRS and the FERS, the PTO made contributions equivalent to approximately 8.5 percent and 10.7 percent, respectively, of the employee's basic pay during both fiscal years 1999 and 1998.

All employees are eligible to contribute to a thrift savings plan. For those employees participating in the FERS, a thrift savings plan is automatically established,

and the PTO makes a mandatory one percent contribution to this plan. In addition, the PTO makes matching contributions ranging from one to four percent for FERS-eligible employees who contribute to their thrift savings plans. No matching contributions are made to the thrift savings plans for employees participating in the CSRS. Employees participating in the FERS are covered under the Federal Insurance Contributions Act (FICA), for which the PTO contributes a matching amount to the Social Security Administration.

For the years ended September 30, 1999 and 1998, the PTO's retirement plan contributions for CSRS and FERS participants were \$32,544 thousand and \$28,157 thousand, respectively. The PTO also contributed \$15,187 and \$11,931 thousand for the years ended September 30, 1999 and 1998, respectively, to the Social Security Administration for FICA benefits.

### **Deferred Revenue**

Deferred revenue represents fees that have been received by the PTO for requested services but will not be fully earned until the related service has been substantially completed. Two types of deferred revenue are recorded. The first type results from checks received with a request for service that were not yet deposited due to the lag time between receipt and initial review. The second type of deferred revenue relates primarily to fees for applications that have been partially processed, and to collected issue fees for which the patent has not been issued.

Application fees that have undergone the initial processing phase but have not been reviewed by a patent examiner or trademark attorney are deferred, and revenue are recognized to the extent costs are incurred in the initial processing phase. The balance of application fees received is considered unearned. Issue fees are earned over an eight-week processing cycle. Revenue is earned to the extent costs are incurred in the processing cycle, with the remaining issue fees considered unearned.

### Comparative Data

The display of programs on the Statement of Net Cost was modified to conform to revised Department of Commerce mission areas. The fiscal year 1998 Statement of Cash Flows was not audited; however, the supporting data was audited with the fiscal year 1998 financial statements. In addition, certain fiscal year 1998 statement and footnote amounts were reclassified to conform to the fiscal year 1999 presentation.

### Note 2.

#### Fund Balance with Treasury

Non-entity funds consist of amounts held in trust by the PTO on deposit for the convenience of PTO customers. Customers have the option of maintaining a deposit account at the PTO to facilitate the order process. Customers can draw from their deposit account when they place an order and can replenish their deposit account as desired. Funds maintained in customer deposit accounts are not available for PTO use until an order has been placed. Once an order has been placed, the funds are reclassified to entity funds.

As of September 30, 1999 and 1998, the Fund Balance with Treasury consisted of the following:

(Dollars in Thousands)	1999			1998
	Unrestricted Funds	Restricted Funds	Total	Total
Appropriated Funds (Obligated)	\$245,253	\$ —	\$245,253	\$292,940
Appropriated Funds (Unobligated)	144,913	—	144,913	121,564
Revenue Withheld	—	233,529	233,529	233,529
<b>Subtotal Entity Funds</b>	<b>390,166</b>	<b>233,529</b>	<b>623,695</b>	<b>648,033</b>
Customer Deposit Accounts	—	50,207	50,207	46,921
<b>Subtotal Non-Entity Funds</b>	<b>—</b>	<b>50,207</b>	<b>50,207</b>	<b>46,921</b>
<b>Total Fund Balance with Treasury</b>	<b>\$390,166</b>	<b>\$283,736</b>	<b>\$673,902</b>	<b>\$694,954</b>

### Note 3.

#### Advances and Prepayments

The PTO has authority to enter into joint projects under 15 U.S.C. section 1525 and has authority to engage in programs and exchanges to recognize technology of patented inventions under 35 U.S.C. Section 6. During fiscal year 1999, in accordance with the report language accompanying P.L. 105-277, the PTO entered into memorandums of understanding (MOU) with the National Inventors Hall of Fame (NIHF), a non-profit organization, and provided

\$5,000 thousand to expand its partnership with the NIHF. The PTO prepaid the NIHF to begin work on the four cooperative efforts outlined in the MOUs. A total of \$1,713 thousand remains prepaid as of September 30, 1999. The PTO expects to fully expend this amount by March 31, 2000.

During fiscal year 1999 the PTO also prepaid five years of subscriptions for certain software. In addition, the PTO maintains deposit accounts with the Government Printing Office and the Department of Commerce to facilitate transactions of a recurring nature.

As of September 30, 1999 and 1998 advances and prepayments consisted of the following:

(Dollars in Thousands)	1999	1998
<b>Intragovernmental</b>		
Department of Commerce Goods and Services	\$ 550	\$ 174
Deposit Accounts	169	53
ADP Services	34	1,236
<b>Total Intragovernmental</b>	<b>753</b>	<b>1,463</b>
 National Inventors Hall of Fame	 1,713	 —
Software Maintenance	609	—
Travel Advances	16	7
<b>Total Advances and Prepayments</b>	<b>\$3,091</b>	<b>\$1,470</b>

#### **Note 4.**

#### **Property and Equipment**

As of September 30, 1999, property and equipment consisted of the following:

<b>Class of Fixed Asset</b>	<b>Depreciation Method</b>	<b>Service Life (Years)</b>	(Dollars in Thousands)		
			<b>Acquisition Value</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
ADP Equipment	SL	3-7	\$166,991	\$108,953	\$ 58,038
Software	SL	3-11	70,428	42,919	27,509
Software in Progress	—	—	30,701	—	30,701
Furniture	SL	5	16,969	8,349	8,620
Equipment	SL	3-5	9,895	5,583	4,312
<b>Total</b>			<b>\$294,984</b>	<b>\$165,804</b>	<b>\$129,180</b>

As of September 30, 1998, property and equipment consisted of the following:

<b>Class of Fixed Asset</b>	<b>Depreciation Method</b>	<b>Service Life (Years)</b>	(Dollars in Thousands)		
			<b>Acquisition Value</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
ADP Equipment	SL	3-7	\$153,643	\$ 82,149	\$ 71,494
Software	SL	3-11	56,087	38,940	17,147
Software in Progress	—	—	13,466	—	13,466
Furniture	SL	5	14,973	6,500	8,473
Equipment	SL	3-5	10,293	5,714	4,579
<b>Total</b>			<b>\$248,462</b>	<b>\$133,303</b>	<b>\$115,159</b>

**Note 5.**  
**Liabilities**

The PTO records as liabilities all amounts that are likely to be paid as the direct result of events that have already occurred. The PTO considers liabilities covered by three types of resources: (1) realized budgetary resources, (2) unrealized budgetary resources, and (3) cash and Fund Balance with Treasury. Realized Budgetary Resources include obligated balances directly funding existing liabilities and unobligated balances available for spending as of September 30, 1999. Unrealized Budgetary Resources represent collections in excess of amounts appropriated for current fiscal year spending that become available for spending in subsequent fiscal years. Although these resources are not yet realized due to a time constraint, they become available in future periods to cover liabilities existing as of the Balance Sheet date. The amount of unrealized budgetary resources considered available to cover liabilities as of September 30, 1998 was reduced due to subsequent information concerning a fiscal year 1999 rescission of these funds.

A portion of cash and Fund Balance with Treasury cover liabilities that will never require the use of a budgetary resource. These liabilities consist of deposit accounts, refunds payable to customers for fee overpayments, undeposited collections and amounts collected by the PTO on behalf of other organizations.

Due to the funding structure of the PTO, budgetary resources do not cover a portion of unearned fees. The PTO's fees that were withheld and deposited into a restricted special fund receipt account are not considered a resource until appropriated and made available by the issuance of a Treasury warrant, although the PTO incurred costs to generate these fees. Therefore, budgetary resources from current operations that normally would be used to cover a portion of unearned fees have been used to cover prior year costs associated with restricted fees. In addition, the current patent fee structure sets low initial application fees following later with income from maintenance fees as a supplement to cover the full cost of the patent examination and issuance process. The combination of these funding circumstances requires the PTO to obtain additional budgetary resources to cover its liability for unearned revenue as of September 30, 1999.

As of September 30, 1999 and 1998, the following liabilities are covered by budgetary resources with the remainder not covered as follows:

<i>(Dollars in Thousands)</i>	<b>9/30/1999</b>	<b>9/30/1998</b>
<b>Liabilities Covered by Resources</b>		
Intragovernmental		
Accounts Payable	\$ 4,189	\$ 4,541
Accrued Payroll and Benefits	4,563	2,745
Accrued Postemployment Compensation	17	28
Customer Deposit Accounts	2,784	1,497
Total Intragovernmental	11,553	8,811
Accounts Payable	55,728	50,800
Accrued Payroll and Benefits	33,255	26,497
Customer Deposit Accounts	47,423	45,424
Deferred Revenue	141,002	54,454
Total Liabilities Covered by Resources	288,961	185,986
 <b>Liabilities Not Covered by Resources</b>		
Intragovernmental		
Accrued Postemployment Compensation	789	889
Total Intragovernmental	789	889
Accrued Leave	21,981	20,352
Deferred Revenue	138,355	252,677
Actuarial Liability	3,699	3,797
Total Liabilities Not Covered by Resources	164,824	277,715
Total Liabilities	\$453,785	\$463,701

**Note 6.**  
**Deferred Revenue**

As of September 30, 1999, deferred revenue consisted of the following:

(Dollars in Thousands)	Patents	Trademarks	Information Dissemination	Total
Unearned Fees	\$237,208	\$31,644	\$1,328	\$270,180
Undeposited Checks	7,688	1,330	159	9,177
Total Deferred Revenue	\$244,896	\$32,974	\$1,487	\$279,357

As of September 30, 1998, deferred revenue consisted of the following:

(Dollars in Thousands)	Patents	Trademarks	Information Dissemination	Total
Unearned Fees	\$259,937	\$29,435	\$2,680	\$292,052
Undeposited Checks	12,732	2,125	222	15,079
Total Deferred Revenue	\$272,669	\$31,560	\$2,902	\$307,131

**Note 7.**  
**Actuarial Liability**

The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have contracted a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under the FECA for the PTO's employees are administered by the DOL and are ultimately paid by the PTO.

The DOL estimated future workers compensation (FWC) liability by applying actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, and medical and miscellaneous costs for approved compensation cases.

The DOL method of determining liability uses historical benefit payment patterns for a specific incurred period to predict the ultimate payments

for that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for ten-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

1999	1998
5.50% in year 1,	5.60% in year 1,
5.50% in year 2,	and thereafter
5.55% in year 3,	
5.60% in year 4,	
and thereafter	

Based on information provided by the DOL, the DOC determined that the estimated liability of the PTO as of September 30, 1999 and 1998 was \$3,699 thousand and \$3,797 thousand, respectively.

**Note 8.**  
**Leases**

The operating lease agreements negotiated by the GSA for the PTO's office buildings expire at various dates between fiscal year 1999 and fiscal year 2007. During fiscal years 1999 and 1998, rent expense was \$60,099 thousand and \$50,042 thousand, respectively.

Under existing commitments as of September 30, 1999, the minimum lease payments through fiscal year 2004 are as follows:

<i>(Dollars in Thousands)</i>	
<b>Fiscal Year</b>	
2000	\$ 60,657
2001	56,944
2002	40,787
2003	38,125
2004	35,126
 Total Future Minimum Lease Payments	 \$231,639

**Note 9.**  
**Imputed Financing**

The PTO recognizes an imputed financing source and corresponding expense to represent its share of the cost to the Federal government of providing pension and post-retirement health and life insurance benefits (Pension/ORB) to all eligible PTO employees.

As of September 30, 1999 and 1998, the components of the imputed financing sources and corresponding expenses are:

<i>(Dollars in Thousands)</i>	<b>1999</b>	<b>1998</b>
CSRS/FERS	\$ 7,840	\$ 8,717
FEHB	14,540	12,139
FEGLI	52	45
 Total Pension/ORB	 \$22,432	 \$20,901

**Note 10.****Program or Operating Expenses**

Program or operating expenses consists of both those costs that are directly charged to the business activities and those costs that are allocated to the business activities. The costs that are allocated to the business activities can be further distinguished by those costs that are centrally managed for efficiency, but can be directly controlled within the management structure of the business activities, and those costs that are indirect charges in support of the business activities that are controlled at a PTO-wide level. The designation of the allocated costs between those directly allocated to the business activities and those considered indirect are displayed in Note 11.

Total program or operating expenses as of September 30, 1999 and 1998 by expense category are as follows:

<i>(Dollars in Thousands)</i>	<b>1999</b>			<b>1998</b>
	<b>Direct</b>	<b>Allocated</b>	<b>Total</b>	<b>Total</b>
Personal Services and Benefits	\$390,943	\$ 47,187	\$438,130	\$379,850
Unfunded Personal Services and Benefits	24,650	2,837	27,487	22,997
Travel and Transportation	1,128	2,173	3,301	2,535
Rental, Communication and Utilities	1,498	72,052	73,550	60,505
Printing and Reproduction	46,150	1,266	47,416	42,426
Contractual Services	55,315	92,197	147,512	130,525
Training	1,676	3,846	5,522	4,812
Maintenance and Repairs	4,269	31,372	35,641	25,402
Supplies and Materials	6,289	1,501	7,790	11,259
Equipment not Capitalized	3,381	4,634	8,015	7,542
Insurance Claims and Indemnities	61	28	89	190
Other Services	372	3,601	3,973	405
Depreciation	45,597	17,822	63,419	62,136
<b>Total Program or Operating Expenses</b>	<b>\$581,329</b>	<b>\$280,516</b>	<b>\$861,845</b>	<b>\$750,584</b>

**Note 11.****Program or Operating Expenses by Category and Responsibility Segment**

The program or operating expenses as of September 30, 1999 and 1998 by expense category and responsibility segment are as follows:

(Dollars in Thousands)	1999				1998	
	Patents	Trademarks	Intellectual Information Property		Total	Total
			Dissemination	Policy		
<b>Direct Expenses</b>						
Personal Services and Benefits	\$329,187	\$45,060	\$10,212	\$6,484	\$390,943	\$337,054
Unfunded Personal Services and Benefits	20,615	2,802	748	485	24,650	20,213
Travel and Transportation	406	57	183	482	1,128	904
Rental, Communication and Utilities	83	62	1,322	31	1,498	1,555
Printing and Reproduction	41,751	2,557	1,829	13	46,150	40,928
Contractual Services	37,570	6,425	9,986	1,334	55,315	48,509
Training	1,403	116	131	26	1,676	1,175
Maintenance and Repairs	1,395	1,108	1,726	40	4,269	5,647
Supplies and Materials	4,915	512	695	167	6,289	9,211
Equipment not Capitalized	1,899	279	1,052	151	3,381	4,474
Insurance Claims and Indemnities	61	—	—	—	61	160
Other Services	128	203	39	2	372	229
Depreciation	34,711	5,777	3,956	1,153	45,597	46,079
<b>Subtotal Direct Expenses</b>	<b>474,124</b>	<b>64,958</b>	<b>31,879</b>	<b>10,368</b>	<b>581,329</b>	<b>516,138</b>
<b>Allocated Expenses</b>						
Rent	40,423	6,120	3,740	932	51,215	42,673
Telecommunications	8,344	1,424	3,955	185	13,908	8,531
Program Automation	56,234	11,672	6,237	995	75,138	42,744
<b>Subtotal Allocated Expenses</b>	<b>105,001</b>	<b>19,216</b>	<b>13,932</b>	<b>2,112</b>	<b>140,261</b>	<b>93,948</b>
<b>Allocated Indirect Expenses</b>						
Allocated Automation	36,009	11,939	3,038	1,156	52,142	58,476
Resource Management	65,399	13,277	7,822	1,615	88,113	82,022
<b>Subtotal Allocated Indirect Expenses</b>	<b>101,408</b>	<b>25,216</b>	<b>10,860</b>	<b>2,771</b>	<b>140,255</b>	<b>140,498</b>
<b>Total Program or Operating Expenses</b>	<b>\$680,533</b>	<b>\$109,390</b>	<b>\$56,671</b>	<b>\$15,251</b>	<b>\$861,845</b>	<b>\$750,584</b>

**Note 12.****Adjustments to Budgetary Resources**

As of September 30, 1999 and 1998, the components of adjustments to budgetary resources are:

(Dollars in Thousands)	1999	1998
Available Recoveries	\$ 10,756	\$3,719
Unavailable Collections and Recoveries	(142,683)	—
Rescission of Prior Year Funds	(71,000)	—
Total Adjustments	\$(202,927)	\$3,719

**Note 13.****Commitments and Contingencies****Commitments**

In addition to the future lease commitments discussed in Note 8, the PTO is obligated for the purchase of goods and services that had been ordered but not yet received at fiscal year-end. Total undelivered orders for all of the PTO's activities were \$165,959 thousand and \$224,242 thousand as of September 30, 1999 and 1998, respectively. Of these amounts \$162,867 thousand and \$222,772 thousand were unpaid.

**Contingencies**

The PTO is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which may ultimately result in settlements or decisions against the Federal government. Management expects that as of September 30, 1999 it is reasonably possible that from \$750 thousand to \$7,500 thousand may be owed for awards or damages involving labor relations claims. Approximately \$2,555 thousand may be owed for awards or damages involving labor relations claims as of September 30, 1998.

**Judgment Fund**

Certain legal matters to which the PTO is named a party may be administered and in some instances litigated and paid by other Federal agencies. These primarily relate to tort claims and contract disputes. Generally, amounts paid in excess of \$2.5 thousand for Federal Tort Claims Act settlements or awards pertaining to these litigations are funded from a special appropriation called the Judgment Fund. During fiscal years 1999 and 1998 there were no payments from the Judgment Fund on behalf of the PTO. Although the ultimate disposition of any potential Judgment Fund proceedings cannot be determined, management does not expect that any liability or imputed costs that might ensue would be material to the PTO's financial statements.

United States Patent and Trademark Office

# Required Supplemental Information

As of September 30, 1999

## Intragovernmental Assets

(Dollars in Thousands)

Agency	Fund Balance with Treasury	Accounts Receivable	Prepayments
13-Department of Commerce	\$ -	\$1,543	\$587
20-Department of Treasury	673,902	-	-
Other	-	2	166
Total	<u>\$673,902</u>	<u>\$1,545</u>	<u>\$753</u>

## Intragovernmental Liabilities

(Dollars in Thousands)

Agency	Accounts Payable	Accrued Payroll and Benefits	Accrued Postemployment Compensation	Customer Deposit Accounts
04-U.S. Government Printing Office	\$1,755	\$ -	\$ -	\$ -
13-Department of Commerce	1,804	-	-	89
20-Department of Treasury	-	1,183	-	-
24-Office of Personnel Management	143	2,854	-	-
89-Department of Energy	-	-	-	1,082
Other	<u>487</u>	<u>526</u>	<u>806</u>	<u>1,613</u>
Total	<u>\$4,189</u>	<u>\$4,563</u>	<u>\$806</u>	<u>\$2,784</u>

# Independent Auditor Reports



■ 1225 Connecticut Avenue, N.W.  
Washington, D.C. 20036

■ Phone: 202 327 6000

## Report of Independent Auditors

To the Office of Inspector General,  
Department of Commerce, and  
the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks

We have audited the consolidated balance sheet of the U.S. Patent and Trademark Office (PTO), a bureau of the Department of Commerce as of September 30, 1999, and the related consolidated statements of net costs, changes in net position, budgetary resources, financing, and cash flows for the fiscal year then ended. These financial statements are the responsibility of PTO's management. Our responsibility is to express an opinion on these financial statements based on our audit. For fiscal year 1998, the Inspector General of the Department of Commerce audited PTO's consolidated balance sheet, and the statements of net costs, changes in net position, budgetary resources and financing whose report dated January 8, 1999, expressed an unqualified opinion on those statements.

We conducted our audit for the year ended September 30, 1999, in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the PTO at September 30, 1999, and its net costs, changes in net position, cash flows, budgetary resources, and reconciliation of net costs to budgetary obligations for the fiscal year then ended, in conformity with generally accepted accounting principles.

 **ERNST & YOUNG LLP**

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The information in the Overview of PTO and the Supplemental Information of the PTO is not a required part of the financial statements, but is supplementary information required by Office of Management and Budget Bulletin 97-01, *Form and Content of Agency Financial Statements*. Such information has not been subjected to the auditing procedures applied in the audit of the Consolidated Financial Statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 3, 2000, on our consideration of the PTO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Ernest & Young LLP*

January 3, 2000



■ 1225 Connecticut Avenue, N.W. ■ Phone: 202 327 6000  
Washington, D.C. 20036

### Report of Independent Auditors on Internal Control

To the Office of Inspector General,  
Department of Commerce, and  
the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks

We have audited the balance sheet of the U.S. Patent and Trademark Office (PTO) as of September 30, 1999, and the related statements of net cost, changes in net position, financing, budgetary resources, and cash flows for the year then ended, and have issued our report thereon dated January 3, 2000.

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered PTO's internal control over financial reporting by obtaining an understanding of PTO's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 98-08. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

The management of PTO is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles; and data that support reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information. Because of inherent limitations in any internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

 **ERNST & YOUNG LLP**

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect PTO's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

In addition, with respect to internal control related to performance measures reported in the Overview, we obtained an understanding of the design of significant internal control relating to the existence and completeness assertions, as required by OMB Bulletin 98-08. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

**STATUS OF PRIOR YEAR COMMENTS**

In reports issued by the Inspector General and other prior auditors, we identified one reportable condition relating to the internal control of PTO. PTO has taken significant actions to implement prior year recommendations or other mitigating controls to address this issue related to Electronic Data Processing.

\* \* \* \* \*

Separate letters, dated January 3, 2000, were provided to management which further discusses matters involving internal controls and their operations and other matters which came to our attention as a result of our audit.

**ERNST & YOUNG LLP**

This letter is intended solely for the information and use of the management of PTO, the Office of Inspector General, Department of Commerce, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties

*Ernst & Young LLP*

January 3, 2000



■ 1225 Connecticut Avenue, N.W. ■ Phone: 202 327 6000  
Washington, D.C. 20036

**Report of Independent Auditors on Compliance with Laws and Regulations**

To the Office of Inspector General,  
Department of Commerce, and  
the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks

We have audited the balance sheet of the U.S. Patent and Trademark Office (PTO) as of September 30, 1999, and the related statements of net cost, changes in net position, financing, budgetary resources, and cash flows for the year then ended, and have issued our report thereon dated January 3, 2000.

We conducted our audit in accordance with: generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

The management of PTO is responsible for complying with laws and regulations applicable to the PTO. As part of obtaining reasonable assurance about whether the PTO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to PTO. We caution that noncompliance may occur and not be detected by the tests performed and that such testing may not be sufficient for other purposes.

The results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations discussed in the preceding paragraph exclusive of FFMIA that are required to be reported under *Government Auditing Standards* and OMB Bulletin 98-08.

At the request of the Inspector General of the Department of Commerce, we performed tests of compliance to determine whether the PTO financial management systems substantially comply with the Federal financial management systems requirements, applicable accounting standards, and the United States Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for the FFMIA included in Appendix D of OMB Bulletin 98-08.

The results of our tests disclosed no instances in which PTO's financial management systems did not substantially comply with requirements discussed in the preceding paragraph.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

 **ERNST & YOUNG LLP**

This report is intended solely for the information and use of the management of the PTO, the Office of Inspector General, Department of Commerce, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

January 3, 2000

# Innovators and Innovations

## **Recognition and Education**

The primary goal of the Patent and Trademark Office (PTO) Office of Public Affairs is to recognize and honor the role inventors and invention play in American society and to educate Americans of all ages on the subjects of intellectual property and the patent system.

## **National Inventors Hall of Fame**

To further our goal, the PTO has entered into a series of joint projects with the National Inventors Hall of Fame. Under PTO guidance, the Hall of Fame created and distributed exhibits, and the PTO co-sponsored the Camp Invention summer day camp program and produced the annual National Inventors Hall of Fame Induction Ceremony.

## **Ronald H. Brown American Innovator Award**

The Ronald H. Brown American Innovator Award was presented this year to Dr. Brian Molloy and Dr. Klaus Schmiegel, inventors of Prozac; to James West, inventor of the electric microphone; and to Donald Campbell, a co-inventor of a process that greatly increases the yield of high-octane gasoline from crude oil. The award is given annually to the living Americans who have been inducted into the National Inventors Hall of Fame of that year.

## **Patent and Trademark Office Museum**

The Patent and Trademark Museum featured two new exhibits during FY 1999. The exhibits were devoted to women inventors and to minority inventors. Entitled "Colors of Invention: Celebrating the Diversity of American Innovation," the exhibits will be featured during February and March of each year as part of PTO's annual Black History Month and Women's History Month.

## **Office of Independent Inventors Programs**

The Office of Public Affairs worked closely throughout the year with the new Office of Independent Inventors Programs to, among other things, produce and distribute public service television and radio advertisements that warned inventors about invention development scams. Public Affairs also coordinated the annual Inventors Expo and provided staff support for the annual Independent Inventors Conference held in Houston.

## **Education**

Educational outreach efforts during the year included the development of a children's page on the PTO website, tours of the PTO headquarters, and a new trademark-teaching syllabus for use in classrooms throughout the country. The syllabus supplements the existing Project XL material and is to be used in conjunction with a video on trademarks produced in FY 1999.

# Other Accompanying Information

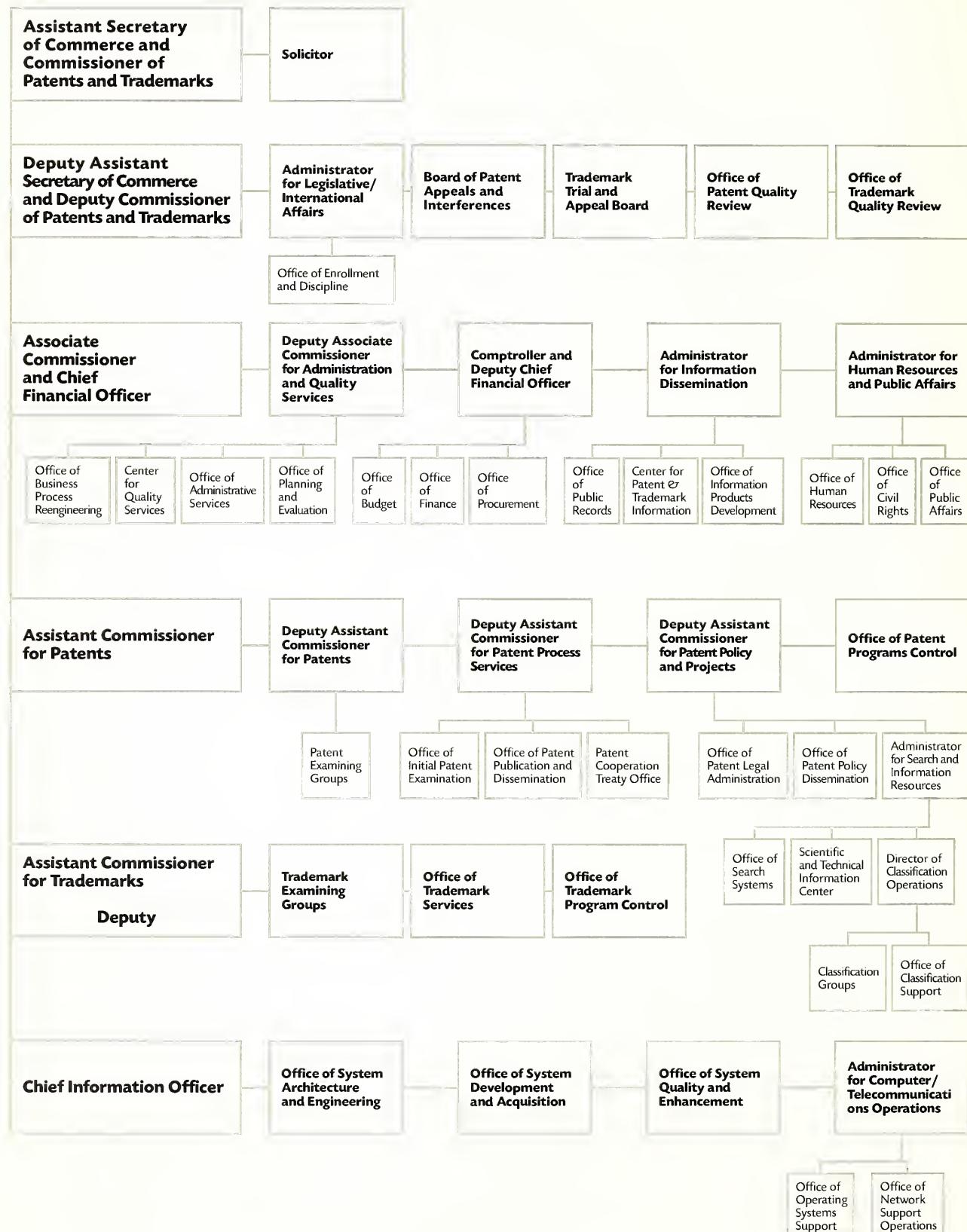
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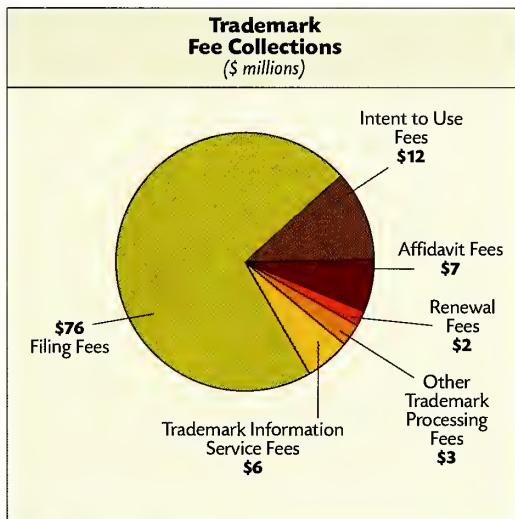
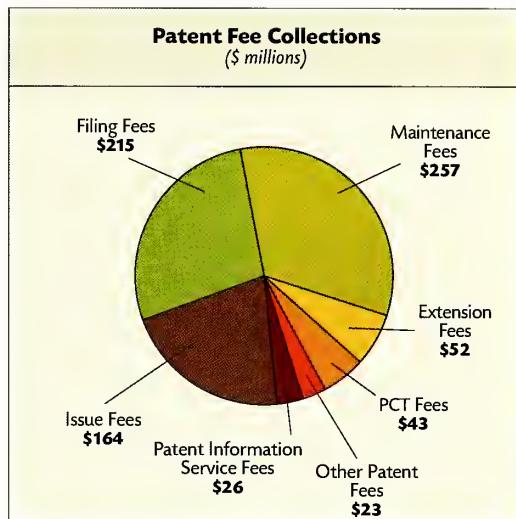
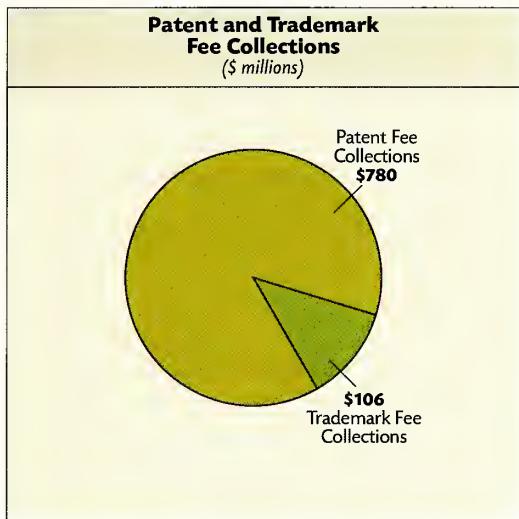


First used in 1910, registered in 1976.

# U.S. Patent and Trademark Organizational Chart



# FY 1999 Fee Collections by Category, Cash Basis



Registered 1933

# Government Performance and Results Act (GPRA)

The PTO continues to move forward with implementation of the Government Performance Results and Act (GPRA), the primary legislative framework that requires Federal agencies to establish strategic goals, measure their performance, and report on how well they have met their goals.

The PTO has developed a strong performance measurement system that supports our mission

and strategy, enhances our focus on our customers, and provides the measures we need to help us continuously improve our products and services. The following tables summarize the PTO's GPRA performance goals, measures, and indicators for each of its three major business areas (Patents, Trademarks, and Information Dissemination) as well as for the policy area.

## Patent Business Area

The Patent business area established the following measures to track progress toward achieving its goals.

<b>Performance Goal:</b> Grant exclusive rights, for limited times, to inventors for their discoveries.	<b>Baseline</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actuals</b>	<b>FY 2000 Targets</b>	<b>FY 2001 Targets</b>
<b>Effectiveness Measures</b>					
Number of original inventions* filed	158,427	218,000	219,228	241,200	270,100
Number of UPR applications filed	119,116	259,000	272,221	299,400	335,400
<b>Customer Satisfaction Measure</b>					
Overall percentage of customer satisfaction	50%	65%	57%	70%	75%
<b>Employee Satisfaction Measure</b>					
Overall percentage of satisfaction from culture survey	41%	—	—	75%	—
<b>Productivity Measure</b>					
Number of weighted applications disposed (per examiner FTE)	87.2	89.4	81.0	91.6	86.2
<b>Efficiency Measure</b>					
Workload cost indicator—unit cost of weighted applications disposed	\$2,497.58	\$2,496.03	\$2,494.20	\$2,646.99	\$2,761.59
<b>Quantity Measures</b>					
Number of total applications (UPR) disposed per year (includes SIRs)	180,196	221,000	219,556	235,600	256,400
Number of UPR patents issued per year	105,529	183,000	143,686	165,800	168,300
<b>Quality of Output Measures—</b>					
<b>Quality of the Process</b>					
Cycle time of original inventions* processed (average months)	14.6	10.9	12.9	10.2	10.0
Percentage of original inventions* achieving 12-month or less cycle time	47%	75%	62%	80%	85%

\* Original inventions exclude Rule 60 and 62 continuations and requests for continuing prosecution under Rule 129.

— Survey not performed in this year.

## Trademark Business Area

The Trademark business area established the following performance measures to assess its progress in achieving its goals.

<b>Performance Goal:</b> Enhance trademark protection.	<b>Baseline</b>	<b>FY 1999 Targets</b>	<b>FY 1999 Actuals</b>	<b>FY 2000 Targets</b>	<b>FY 2001 Targets</b>
<b>Effectiveness Measures</b>					
Trademark applications filed—classes	200,640	256,000	295,165	324,700	363,700
<b>Productivity Measures</b>					
Disposals per FTE (including contractors)	221	217	206	194	215
<b>Efficiency Measures</b>					
Workload cost indicator— unit cost per disposal	\$385.20	\$450.85	\$557.87	\$495.95	\$472.36
<b>Quality of Output Measure</b>					
Actual pendency to first action (months)	5.9	3.9	4.6	3.0	3.0
Actual pendency to disposal/registration (months)	16.5	15.5	18.9	13.8	13.8
<b>Customer Satisfaction Measure</b>					
Overall percentage of customer satisfaction	64%	80%	69%	80%	80%
<b>Employee Satisfaction Measure</b>					
Overall percentage of employee satisfaction	42%	—	—	75%	—

— Survey not performed in this year.



## Information Dissemination Business Area

The Information Dissemination business area is committed to evaluating the performance of all new and existing programs to improve PTO performance. All programs will be monitored continuously to assess their effectiveness.

### Performance Goal:

Promote awareness of, and access to, patent and trademark information.

Baseline	FY 1999 Targets	FY 1999 Actuals	FY 2000 Targets	FY 2001 Targets
----------	-----------------	-----------------	-----------------	-----------------

### Quality Measure

*Timeliness—percentage of key products and services meeting schedules or cycle time standards*

63%	80%	64%	80%	80%
-----	-----	-----	-----	-----

### Efficiency Measure

*Workload cost indicator—unit cost of key products*

\$8.97	\$8.66	\$14.19	\$8.90	\$10.86
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### Effectiveness Measure

*Customer evaluation of ease of access to patent and trademark information, products, and services*

*	*	77%	*	90%
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*Percentage of top 100 most populated areas served by PTDLs*

55%	58%	60%	61%	62%
-----	-----	-----	-----	-----

### Customer Satisfaction Measure

*Overall percentage of customer satisfaction with key products and services*

*	*	75%	*	90%
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### Employee Satisfaction Measure

*Overall percentage of employee satisfaction*

54%	—	—	65%	—
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— Survey not performed in this year.

\* IDO's customer satisfaction survey is planned to be conducted every two years. The baseline for this survey was based on a four-point scale. However, beginning in fiscal year 1999, it was decided to begin using a five-point scale. Therefore, comparisons between the baseline results and subsequent results cannot be made.



Registered 1975

## Policy Area

The PTO's policy area specialists are instrumental in carrying out the PTO's strategic goal in playing a leadership role in intellectual property rights policy. The PTO's policy area endeavors to keep America competitive in the global marketplace by fostering and securing a strong and unimpeded economic infrastructure by effective management and stewardship of intellectual property rights that contribute to sustainable economic opportunities.

### Performance Goal:

Help protect, promote, and expand intellectual property rights systems throughout the United States and abroad.

	Baseline	FY 1999 Targets	FY 1999 Actuals	FY 2000 Targets	FY 2001 Targets
<b>Effectiveness Measures</b>					
Number of countries provided technical assistance	47	73	93	96	98
Number of technical assistance activities completed	59	90	99	102	104



# Litigation

During FY 1999, the number of ex parte appeals taken from decisions of the Board of Patent Appeals and Interferences (BPAI), the Trademark Trial and Appeal Board (TTAB), and the number of civil actions filed against the Commissioner of Patents and Trademarks totaled seventy-two. There were eighteen inter partes appeals from PTO Board decisions taken to the Federal Circuit in FY 1999. Most of the opinions entered by the Court of Appeals for the Federal Circuit and the district courts involving the PTO were not precedential. This section highlights some of the significant precedential rulings of FY 1999.

## Supreme Court—Standard of Review

The Supreme Court issued its decision in *Dickinson v. Zurko*, 119 S.Ct. 1816, 50 USPQ2d 1930 (1999), clarifying the appropriate standard of review to be applied to PTO findings of fact. Since 1984, the Federal Circuit consistently applied the “clearly erroneous” standard of review when reviewing fact-findings of the Board. This is the standard usually applied when an appellate court reviews fact-findings of a district court judge. In *Zurko*, the Commissioner argued that the Federal Circuit should apply the less stringent standard of review provided in the Administrative Procedure Act (APA); that is, the “arbitrary, capricious, abuse of discretion” or “substantial evidence” standard. The APA standard is generally applied when a court reviews agency fact-findings. The Supreme Court reversed the Federal Circuit, agreeing with the Commissioner that the APA standard of review must be applied to PTO decisions. The Supreme Court remanded the case to the Federal Circuit for reconsideration under the appropriate APA standard of review. The PTO is currently re-briefing the case before the Federal Circuit.

## Obviousness—Motivation to Combine

In *In re Dance*, 160 F.3d 1339, 48 USPQ2d 1635 (Fed. Cir. 1998), the Federal Circuit rejected the argument that the simplicity of a prior art reference weighed against a conclusion of obviousness of a more complicated claimed invention. The court affirmed the PTO’s decision rejecting claims directed to a catheter for removing obstructions in blood vessels as obvious in view of two prior art references, one of which stressed simplicity of its device. The applicant argued that this emphasis on simplicity taught away from a combination of references that would result in the more complicated claimed device. On appeal, the Federal Circuit noted that the test of whether it would have been obvious to select specific teachings and combine them must be met by identifying some suggestion, teaching, or motivation in the prior art. However, although statements limiting the function or capability of a prior art device require consideration, simplicity of the prior art is rarely a characteristic that weighs against obviousness of a more complicated device with added function.

In *In re Dembiczak*, 175 F.3d 994, 50 USPQ2d 1614 (Fed. Cir. 1999), the Federal Circuit addressed the need for a specific finding of motivation to combine references to support an obviousness rejection. The court reversed the Board’s rejections of claims as obvious under 35 U.S.C. § 103 and for double patenting. The claims were directed to what has become known as a pumpkin trash/leaf bag (i.e., a large trash bag made of orange plastic decorated with lines and facial that, when the bag is filled with trash or leaves, it resembles a Halloween-style pumpkin or jack-o’-lantern). The prior art included conventional plastic leaf trash bags and two arts and crafts books describing jack-o’-lanterns made out of small paper bags or crepe paper. Even though the Board described in detail the similarities between the prior art and the claimed invention, the court found lack

of motivation to combine the references, noting that the Board failed to particularly identify any suggestion, teaching, or motivation to combine the children's art references with the conventional trash or lawn bags. Because such findings cannot be supplemented on appeal, the rejection was reversed, and the case was remanded to the PTO.

#### Obviousness-Type Double Patenting

In the same pumpkin bag case discussed above, *In re Dembiczak*, 175 F.3d 994, 50 USPQ2d 1614 (Fed. Cir. 1999), the Federal Circuit also reversed the PTO's rejection of the pending utility application claims to the pumpkin trash/leaf bag under obviousness-type double patenting over two design patents by the same applicant for jack-o'-lantern trash/leaf bags. The court stated that in some very rare cases, obviousness-type double patenting may be found between design and utility patents. However, such a rejection is appropriate only if the claims of the two patents cross-read, such that the subject matter of the claims of the patent sought to be invalidated would have been obvious from the subject matter of the claims of the other patent, and vice versa. In Dembiczak's case, the court held that the design patents were not obvious variants of the pending utility claims, because the utility claims did not disclose the specific designs in the design patents.

#### Enablement and Claim Interpretation

In *In re Cortright*, 165 F.3d 1353, 49 USPQ2d 1464 (Fed. Cir. 1999), the Federal Circuit addressed the issue of the "reasonableness" of PTO's claim interpretation in light of the use of identical terms in other patents. The court affirmed-in-part, reversed-in-part, and remanded a decision of the Board rejecting claims as not enabled, under 35 U.S.C. § 112, ¶ 1. The appealed claims were directed to a method of treating baldness by applying Bag Balm® ointment—a commercially available salve used to soften cow

udders—to the scalp. Specifically, claim 1 recited a method of restoring hair growth, and claim 15 recited a method of treating baldness by offsetting the effects of lower levels of a male hormone being supplied to the scalp hair follicles. The specification disclosed three *de minimis* examples where rubbing Bag Balm® ointment into the bald scalp allegedly restored "fuzz" to the top of the head. The court reversed the rejection of claim 1, holding that the Board's interpretation of the term "restore" as requiring a return to the original state or a full head of hair was too broad. In reaching this conclusion, the Federal Circuit relied on definitions of the term "restore" as used in other issued patents directed to treatments for baldness which did not require restoration of a full head of hair. The court affirmed the rejection of claim 15, however, since no showing had been made that the claimed active ingredient affected the hormone level as claimed.

#### Anticipation

In *In re Robertson*, 169 F.3d 743, 49 USPQ2d 1949 (Fed. Cir. 1999), the Federal Circuit reversed a decision by the Board rejecting a claim reciting three elements as anticipated by a prior art reference having two elements performing a similar function. Specifically, the claim was directed to a disposable diaper with an improved mechanical fastening system having three mechanical fastening elements: a closure member, a landing member, and a disposal means. The closure and landing members engaged to keep the diaper on the baby during wear. After use, the closure member engaged the disposal means to secure the diaper in a closed configuration for disposal. Although the preferred embodiment disclosed three separate fastening elements, the specification expressly stated that the closure and disposal fastening elements could be the same, so long as they were

complementary and engaged each other. The prior art disposable diaper disclosed two mechanical fastening elements that performed both a closure function and a disposal function. On appeal, the majority of the Federal Circuit panel construed the claim at issue to require three separate fastening means. Therefore, because the prior art did not disclose a separate third fastening element, either expressly or inherently, the court found no anticipation.

### Trademarks

In *In re International Flavors*, 183 F.3d 1361, 51 USPQ2d 1513 (Fed. Cir. 1999), the Federal Circuit upheld the TTAB's refusal to register a "phantom" trademark. A "phantom" trademark has an integral portion of the mark that is generally represented by a blank or dashed line acting as a placeholder for a generic term or symbol that changes, depending on the use of the mark. International Flavors sought to register "LIVING XXXX FLAVORS," "LIVING XXXX FLAVOR," and "LIVING XXXX," where the "XXXX" served to denote a specific herb, fruit, plant, or vegetable. The phantom marks would provide protection for such marks as "LIVING STRAWBERRY FLAVOR" and "LIVING CILANTRO FLAVOR." Thus, the applications sought to obtain registration of a potentially unlimited number of marks. The Federal Circuit agreed with the Commissioner that under the Lanham Act and applicable regulations, a trademark application may seek to register only a single mark. The court further noted that phantom marks with missing elements fail to provide meaningful constructive notice to the public because they encompass too many combinations to make a thorough and effective search possible. The court therefore affirmed the TTAB's holding that International Flavors' attempt to register multiple marks in this manner was in violation of the one-mark-per-application requirement of the Lanham Act.

In *In re Wada*, 194 F.3d 1297, 52 USPQ2d 1539 (Fed. Cir. 1999), the Federal Circuit upheld the PTO's policy of refusing to register geographically misdescriptive marks, even with a disclaimer of the geographic term. Specifically, in an intent-to-use

application, the TTAB sustained a refusal to register the mark "NEW YORK WAYS GALLERY" for goods including leather bags, luggage, backpacks, wallets, tote bags, and the like. The refusal was based on geographic misdescriptiveness, under 15 U.S.C. 1052(e)(3), because no connection was found between the applicant's goods and the city or state of New York. On appeal, the Federal Circuit upheld the TTAB's findings that the mark was geographically misdescriptive and that the evidence established a goods/place association. The court also held that disclaimer of the term "NEW YORK" did not permit registration of the mark as a whole. The court noted that prior to the implementation of the NAFTA amendments to the Lanham Act, marks that were primarily geographically deceptively misdescriptive could be registered if they acquired secondary meaning or if the owner of the mark disclaimed the primarily geographically deceptively misdescriptive term. However, the court upheld the PTO's determination that, with the incorporation of the NAFTA amendments, primarily geographically deceptively misdescriptive marks were precluded from registration under all circumstances.

### Attorney Discipline

In *Lipman v. Dickinson*, 174 F.3d 1363, 50 USPQ2d 1490 (Fed. Cir. 1999), the Federal Circuit affirmed a decision of the District Court for the District of Columbia, sustaining the Commissioner's decision to publicly reprimand a practitioner. Specifically, after a full evidentiary hearing before an administrative law judge, the Commissioner ordered a public reprimand of a patent practitioner who knowingly relied on four affidavits that had been disavowed by the affiants in a motion before the PTO. The district court granted summary judgment in favor of the Commissioner, upholding the sanction. The Federal Circuit found that there was substantial evidence to support the finding of a violation of disciplinary rules requiring a duty of candor to the PTO. The court also clarified that a showing of intent in disciplinary cases does not require direct evidence, but may be inferred based on circumstantial evidence.

# FY 1999 PTO Workload Tables

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Registered 1995

Table 1.  
**Summary of Patent Examining Activities**

(As of September 30 of each fiscal year)

Patent examining activity	1995	1996	1997	1998	1999
<b>Applications filed, total</b>	<b>236,679</b>	<b>206,276</b>	<b>237,045</b>	<b>256,666</b>	<b>289,448</b>
Utility <sup>1</sup>	220,141	189,979	219,453	238,811	270,646
Reissue	647	573	606	693	843
Plant	516	564	714	586	732
Design	15,375	15,160	16,272	16,576	17,227
<b>First actions:</b>					
Design	18,223	15,465	15,038	16,836	18,050
Utility, plant, and reissue	176,220	179,391	193,635	192,849	226,642
PCT/Chapter 1	9,454	11,224	12,268	13,430	14,316
<b>Patent application disposals, total</b>	<b>189,520</b>	<b>197,244</b>	<b>212,763</b>	<b>220,333</b>	<b>238,292</b>
<b>Allowed<sup>2</sup>, total</b>	<b>119,621</b>	<b>135,321</b>	<b>148,802</b>	<b>158,259</b>	<b>171,685</b>
Design	13,055	13,627	13,562	15,214	16,305
Utility, plant, and reissue	106,566	121,694	135,240	143,045	155,380
<b>Abandoned, total</b>	<b>69,796</b>	<b>61,819</b>	<b>63,878</b>	<b>61,994</b>	<b>66,493</b>
Design	3,336	3,461	2,511	1,892	2,431
Utility, plant, and reissue	66,460	58,358	61,367	60,102	64,062
<b>Statutory invention registrations, total</b>	<b>103</b>	<b>104</b>	<b>83</b>	<b>80</b>	<b>114</b>
<b>PCT/Chapter II examinations completed</b>	<b>8,040</b>	<b>8,403</b>	<b>11,582</b>	<b>12,223</b>	<b>12,886</b>
<b>Patents issued<sup>3</sup></b>	<b>114,241</b>	<b>116,875</b>	<b>122,977</b>	<b>154,579</b>	<b>159,166</b>
Utility	101,895	104,900	111,979	139,298	142,856
Reissue	294	291	267	284	437
Plant	390	338	400	577	393
Design	11,662	11,346	10,331	14,420	15,480
Allowed applications, issue fee not paid <sup>4</sup>	5,294	5,408	5,599	6,853	4,000
Pendency time of average patent application <sup>5</sup>	19.2	20.8	22.2	23.8	25.0
Reexamination requests	392	418	376	350	385
Reexamination certificates issued	281	298	334	317	243
PCT search reports prepared	10,440	11,078	12,048	12,859	14,116
PCT international application received by USPTO as receiving office	15,941	20,106	22,767	27,138	30,305
National requirements received by USPTO as receiving office	10,582	11,662	13,858	17,305	19,941
International preliminary examination reports	7,456	7,571	11,738	12,003	14,615
Patents renewed under P.L. 102-204 <sup>6</sup>	140,512	408,944	138,695	135,462	156,414
Patents expired under P.L. 102-204 <sup>6</sup>	48,604	60,392	54,485	41,063	52,286

<sup>1</sup>Utility patents include chemical, electrical, and mechanical applications.<sup>2</sup>“Allowed Patent Applications” are applications awaiting issuance (i.e., publication) as patents.<sup>3</sup>Excludes withdrawn numbers.<sup>4</sup>35 U.S.C. 151 (includes design applications).<sup>5</sup>Average time (in months) between filing and issuance or abandonment of utility, plant, and reissue applications. This average does not include design patents.<sup>6</sup>The provisions of P.L. 102-204 regarding the renewal of patents superceded P.L. 96-517 and P.L. 97-247.

Registered 1974

Table 2.  
**Patent Applications Filed**  
(FY 1980 - FY 1999)

Year	Utility <sup>1</sup>	Design	Plant	Reissue	Total
1980	104,219	7,269	186	641	112,315
1981	106,828	7,197	147	538	114,710
1982	116,052	8,069	193	486	124,800
1983	96,847	8,256	231	370	105,704
1984	109,010	8,446	248	281	117,985
1985	115,893	9,504	244	290	125,931
1986	120,988	9,792	291	332	131,403
1987	125,677	10,766	364	366	137,173
1988	136,253	11,114	377	439	148,183
1989	150,418	11,975	418	495	163,306
1990	162,708	11,140	395	468	174,711
1991	166,765	10,368	414	536	178,083
1992	171,623	12,907	335	581	185,446
1993	173,619	13,546	362	572	188,099
1994	185,087	15,431	430	606	201,554
1995	220,141	15,375	516	647	236,679
1996	189,979	15,160	564	573	206,276
1997	219,453	16,272	714	606	237,045
1998	238,811	16,576	693	586	256,666
<b>1999</b>	<b>270,646</b>	<b>17,227</b>	<b>732</b>	<b>843</b>	<b>289,448</b>

<sup>1</sup>Chemical, electrical, and mechanical applications.

Table 3.  
**Patents Pending Prior to Allowance<sup>1</sup>**

(FY 1980 - FY 1999)

Year	Awaiting action by examiner	Total applications pending <sup>2</sup>
1980	64,289	167,533
1981	71,033	181,727
1982	87,659	216,509
1983	102,532	223,101
1984	90,687	219,567
1985	90,648	215,512
1986	80,547	207,774
1987	65,010	209,911
1988	75,678	215,280
1989	92,377	222,755
1990	104,179	244,964
1991	104,086	254,507
1992	112,201	269,596
1993	99,904	244,646
1994	107,824	261,249
1995	124,275	298,522
1996	139,943	303,720
1997	112,430	275,295
1998	224,446	379,484
<b>1999</b>	<b>243,207</b>	<b>414,837</b>

<sup>1</sup>Includes patents pending at end of period indicated, and includes utility, reissue, plant, and design applications. Does not include allowed applications.

<sup>2</sup> Applications under examination, including those in preexamination processing.

**Table 4.**  
**Patent Pendency and Cycle Time Statistics**  
(FY 1999)

Utility, plant & reissue (UPR) applications	Number of applications	Average pendency (in months)	
<b>Total</b>	<b>209,562</b>	<b>25.0</b>	
Issued	145,500	26.2	
Abandoned	64,062	21.8	
Applications in process	456,679	15.7	
UPR pendency statistics by technology center (in months)			
	To issue	Abandoned	In process
Biotechnology, Organic Chemistry & Designs	29.0	22.6	19.1
Chemical and Material Engineering	26.2	24.6	16.0
Transportation, Construction & Agriculture	24.4	18.6	14.4
Mechanical Engineering, Manufacturing & Products	23.4	18.8	14.1
Communications and Information Processing	31.4	25.9	16.8
Physics, Optics, System Components & Electrical Engineering	24.8	20.9	14.5
Total UPR pendency by technology center (in months)			
	From invention's original filing date	From most recent filing date <sup>1</sup>	
<b>Total UPR pendency</b>	<b>26.6</b>	<b>25.0</b>	
Biotechnology, Organic Chemistry & Designs	30.9	27.1	
Chemical and Material Engineering	26.3	25.8	
Transportation, Construction & Agriculture	24.3	23.1	
Mechanical Engineering, Manufacturing & Products	23.8	22.4	
Communications and Information Processing	31.7	30.4	
Physics, Optics, System Components & Electrical Engineering	25.5	24.1	
Cycle time by technology center (in months)			
	PTO time	Time attributable to applicants	
<b>Total UPR pendency</b>	<b>16.9</b>	<b>9.7</b>	
Biotechnology, Organic Chemistry & Designs	17.4	13.5	
Chemical and Material Engineering	15.9	10.4	
Transportation, Construction & Agriculture	15.8	8.5	
Mechanical Engineering, Manufacturing & Products	15.4	8.4	
Communications and Information Processing	21.3	10.4	
Physics, Optics, System Components & Electrical Engineering	16.6	8.9	

<sup>1</sup>“Pendency from original filing date” and “pendency from most recent filing date” differ in that the former is composed of continuing applications descending from the original, or parent invention. Pendency is calculated based on the most recent filing date, while cycle time is based on the original filing date.

Table 5.  
**Summary of Pending Patent Applications**  
(As of September 30, 1999)

Stage of processing	Utility, plant, and reissue applications	Design applications	Total patent applications
<b>Pending patent applications, total</b>	<b>491,824</b>	<b>23,744</b>	<b>515,568</b>
<b>In preexamination processing, total</b>	<b>24,542</b>	<b>3,920</b>	<b>28,462</b>
<b>Under examination, total</b>	<b>376,448</b>	<b>9,927</b>	<b>386,375</b>
Undocketed	38,008	772	38,780
Awaiting first action by examiner	170,305	5,660	175,965
Rejected, awaiting response by applicant	119,496	2,857	122,353
Amended, awaiting action by examiner	29,671	495	30,166
In interference	1,829	17	1,846
On appeal, and other <sup>1</sup>	17,139	126	17,265
<b>In postexamination processing, total</b>	<b>90,834</b>	<b>9,897</b>	<b>100,731</b>
Awaiting issue fee	43,364	4,568	47,932
Awaiting printing <sup>2</sup>	44,109	5,329	49,438
D-10s (secret cases in condition for allowance)	3,361	-	3,361

- Represents zero.

<sup>1</sup>Includes cases on appeal and undergoing petitions.

<sup>2</sup>Includes withdrawn cases.

Table 6.  
**Patents Issued**

(FY 1980 - FY 1999)

Year	Utility <sup>1</sup>	Design	Plant	Reissue	Total
1980	56,618	4,167	137	305	61,227
1981	66,617	3,882	168	343	71,010
1982	59,449	5,299	120	284	65,152
1983	54,744	4,401	219	351	59,715
1984	66,753	4,935	174	287	72,149
1985	69,667	5,058	277	300	75,302
1986	71,301	5,202	227	263	76,993
1987	82,141	6,158	240	254	88,793
1988	77,317	5,740	283	244	83,584
1989	95,831	5,844	728	309	102,712
1990	88,974	7,176	295	282	96,727
1991	91,822	9,386	318	334	101,860
1992	99,405	9,612	336	375	109,728
1993	96,676	9,946	408	302	107,332
1994	101,270	11,138	513	347	113,268
1995	101,895	11,662	390	294	114,241
1996	104,900	11,346	338	291	116,875
1997	111,979	10,331	400	267	122,977
1998	139,298	14,420	577	284	154,579
<b>1999</b>	<b>142,856</b>	<b>15,480</b>	<b>437</b>	<b>393</b>	<b>159,166</b>

<sup>1</sup>Includes chemical, electrical, and mechanical applications.

Table 7.  
Patent Applications Filed by Residents of the United States  
(FY 1999<sup>1</sup>)

State/territory	1999	State/territory	1999	State/territory	1999
<b>Total</b>	<b>164,025</b>	Kentucky	720	Oklahoma	1,034
Alabama	756	Louisiana	973	Oregon	2,471
Alaska	89	Maine	237	Pennsylvania	6,903
Arizona	2,646	Maryland	2,814	Rhode Island	532
Arkansas	447	Massachusetts	7,285	South Carolina	1,037
California	35,888	Michigan	5,952	South Dakota	140
Colorado	3,533	Minnesota	4,849	Tennessee	1,612
Connecticut	3,379	Mississippi	287	Texas	11,562
Delaware	724	Missouri	1,608	Utah	1,301
District of Columbia	157	Montana	286	Vermont	652
Florida	5,303	Nebraska	374	Virginia	2,271
Georgia	2,729	Nevada	710	Washington	4,275
Hawaii	173	New Hampshire	1,219	West Virginia	244
Idaho	2,281	New Jersey	7,838	Wisconsin	3,213
Illinois	6,887	New Mexico	640	Wyoming	118
Indiana	2,500	New York	11,445	Puerto Rico	43
Iowa	1,258	North Carolina	3,645	U.S. Pacific Islands <sup>2</sup>	2
Kansas	728	North Dakota	184	United States <sup>3</sup>	13
		Ohio	6,058		

<sup>1</sup>Data include utility, design, plant, and reissue applications.

<sup>2</sup>Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

<sup>3</sup>No State indicated in database.

Table 8.  
Patents Issued to Residents of the United States  
(FY 1999<sup>1</sup>)

State/territory	1999	State/territory	1999	State/territory	1999
<b>Total</b>	<b>89,119</b>	Kentucky	426	Oklahoma	510
Alabama	454	Louisiana	540	Oregon	1,352
Alaska	61	Maine	136	Pennsylvania	3,852
Arizona	1,615	Maryland	1,539	Rhode Island	340
Arkansas	212	Massachusetts	3,665	South Carolina	658
California	17,893	Michigan	3,735	South Dakota	66
Colorado	1,862	Minnesota	2,747	Tennessee	918
Connecticut	1,946	Mississippi	198	Texas	5,901
Delaware	409	Missouri	1,059	Utah	693
District of Columbia	69	Montana	147	Vermont	323
Florida	2,965	Nebraska	212	Virginia	1,094
Georgia	1,502	Nevada	359	Washington	1,921
Hawaii	93	New Hampshire	639	West Virginia	177
Idaho	1,059	New Jersey	4,145	Wisconsin	1,905
Illinois	4,186	New Mexico	343	Wyoming	43
Indiana	1,578	New York	6,589	Puerto Rico	30
Iowa	739	North Carolina	1,851	Virgin Islands	1
Kansas	451	North Dakota	73	U.S. Pacific Islands <sup>2</sup>	3
		Ohio	3,834	United States <sup>3</sup>	1

<sup>1</sup>Data include utility, design, plant, and reissue patents.

<sup>2</sup>Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

<sup>3</sup>No State indicated in database.

Table 9.  
United States Patent Applications Filed by Residents of Foreign Countries

(FY 1995 - FY 1999)

Residence	1995	1996	1997	1998	1999	Residence	1995	1996	1997	1998	1999
<b>Total</b>	<b>96,255</b>	<b>89,940</b>	<b>102,248</b>	<b>110,461</b>	<b>125,423</b>	Indonesia	7	22	10	7	26
Albania	-	-	2	1	-	Iran	7	14	16	16	2
Andorra	1	1	155	2	1	Iraq	-	-	1	-	-
Anguilla	-	-	2	-	1	Ireland	135	119	130	197	264
Antigua & Barbuda	5	1	1	1	-	Israel	1,183	1,081	1,220	1,499	1,938
Argentina	69	75	81	121	102	Italy	2,512	2,152	2,472	2,449	2,835
Armenia	1	-	1	1	-	Jamaica	4	2	1	4	4
Aruba	1	2	-	-	-	Japan	42,944	39,810	44,318	46,569	47,413
Australia	1,150	1,090	1,270	1,450	1,507	Jordan	5	6	1	5	5
Austria	684	532	590	665	871	Kazakhstan	-	-	1	1	10
Azerbaijan	1	2	1	2	1	Kenya	2	2	5	1	8
Bahamas	18	8	12	21	14	Korea, Dem. Republic of	11	19	67	63	-
Bahrain	-	1	-	1	2	Korea, Republic of	2,943	3,932	4,957	5,625	5,634
Barbados	2	1	1	1	3	Kuwait	4	3	19	13	12
Belarus	8	6	6	3	6	Kyrgyzstan	1	-	-	-	1
Belgium	1,080	900	974	1,034	1,207	Laos	-	1	-	-	-
Belize	-	1	1	1	-	Latvia	-	2	1	5	2
Benelux Convention	-	-	1	-	-	Lebanon	-	3	2	3	5
Bermuda	4	4	2	5	7	Lesotho	-	-	1	-	-
Bolivia	2	1	1	2	2	Liechtenstein	13	20	21	15	26
Bosnia & Herzegovina	-	1	-	1	1	Lithuania	5	-	4	2	3
Botswana	-	-	-	1	-	Luxembourg	38	36	63	49	51
Brazil	130	136	157	167	206	Macau	2	-	1	-	2
British Virgin Islands	-	5	3	2	2	Madagascar	-	-	-	-	1
Bulgaria	9	15	10	15	2	Macedonia	1	-	-	-	-
Canada	5,420	4,893	4,972	5,975	7,006	Malaysia	36	43	61	58	74
Cayman Islands	1	15	4	2	7	Maldives	-	-	1	-	-
Chile	16	24	13	18	14	Mali	1	5	1	1	-
China (mainland)	151	256	215	289	271	Malta	2	3	-	2	-
Columbia	19	11	9	14	21	Marshall Islands	-	1	-	-	-
Costa Rica	13	3	14	20	8	Mauritius	-	-	-	1	-
Cote D'Ivoire	-	-	-	-	1	Mexico	97	116	146	152	172
Croatia	15	14	20	18	15	Moldova	1	1	-	1	-
Cuba	9	5	2	4	5	Monaco	11	13	11	13	14
Cyprus	1	-	4	-	4	Mongolia	-	3	-	-	-
Czech Republic	11	22	22	39	37	Montserrat	1	-	-	-	-
Czechoslovakia	26	14	14	22	15	Morocco	1	5	1	3	1
Denmark	756	567	724	776	938	Myanmar	-	1	-	1	-
Djibouti	-	-	1	-	-	Namibia	-	-	2	-	1
Dominica	-	2	-	-	1	Nauru	-	-	1	1	-
Dominican Republic	3	1	4	3	-	Nepal	1	-	-	-	-
Ecuador	4	1	8	2	5	Netherlands	1,727	1,594	1,978	1,914	2,158
Egypt	3	5	8	8	19	Netherlands Antilles	1	1	-	3	1
El Salvador	1	1	1	1	1	New Caledonia	1	1	1	2	-
EPO	-	-	28	-	-	New Zealand	170	191	218	204	249
Estonia	1	1	1	1	7	Nicaragua	-	-	1	-	-
Ethiopia	-	-	1	-	-	Niger	1	-	1	1	-
Falkland Islands	-	1	-	-	-	Nigeria	-	3	1	3	1
Fiji	-	2	-	-	1	Norway	251	244	312	341	399
Finland	789	797	946	910	1,309	Pakistan	3	1	8	3	2
France	5,389	4,678	5,093	5,414	6,398	Palau	-	-	-	-	1
French Guiana	-	1	-	-	-	Panama	7	8	2	4	8
Gabon	1	-	-	-	-	Paraguay	-	1	1	1	-
Georgia	6	6	16	6	2	Peru	6	4	5	3	8
Germany	12,421	11,515	12,908	13,799	17,446	Philippines	17	10	42	21	28
Ghana	-	1	4	-	1	Poland	19	21	29	16	27
Greece	39	22	21	47	47	Portugal	18	13	12	17	29
Guadeloupe	-	-	1	-	-	Romania	7	9	13	9	5
Guatemala	4	2	5	3	2	Russian Federation	230	236	242	271	360
Guinea	-	-	-	1	-	Saudi Arabia	29	17	23	24	17
Haiti	1	-	1	-	-	Senegal	-	1	1	1	-
Honduras	1	3	5	5	6	Seychelles	-	3	1	2	-
Hong Kong	324	467	448	457	757	Sierra Leone	-	1	2	-	-
Hungary	73	63	42	69	115	Singapore	161	157	244	315	444
Iceland	6	8	13	28	30	Slovakia	14	2	3	10	5
India	98	105	135	182	263	Slovenia	16	21	24	26	20

Table 9. (Cont'd)  
**United States Patent Applications Filed by Residents of Foreign Countries**  
(FY 1995 - FY 1999)

Residence	1995	1996	1997	1998	1999	Residence	1995	1996	1997	1998	1999
Solomon Islands	1	2	-	-	-	Turkey	6	6	2	26	35
South Africa	230	189	197	215	243	Turks and Caicos Islands	2	-	-	-	-
Soviet Union	17	10	2	1	-	Uganda	1	-	1	1	4
Spain	384	369	458	442	481	Ukraine	17	16	26	31	20
Sri Lanka	3	1	2	3	13	United Arab Emirates	2	1	5	6	7
St. Kitts & Nevis	1	-	-	-	2	United Kingdom	5,577	4,804	5,589	6,072	7,128
Suriname	-	1	-	2	-	Uruguay	9	3	2	5	4
Swaziland	8	24	14	17	-	Uzbekistan	2	-	-	3	4
Sweden	1,674	1,439	2,062	2,390	2,770	Vatican City	-	1	-	-	-
Switzerland	2,075	1,639	1,782	1,897	2,245	Venezuela	38	39	35	43	44
Syria Arab Rep	-	-	1	-	5	Vietnam	-	1	2	1	1
Taiwan	4,729	5,108	6,349	7,627	11,392	Yemen	2	1	-	1	-
Tanzania	-	-	1	-	-	Yugoslavia	12	4	7	6	5
Thailand	33	25	32	34	61	Zaire	1	-	-	-	-
Trinidad & Tobago	1	2	1	2	1	Zimbabwe	-	-	-	3	1
Tunisia	-	-	-	-	1	Other <sup>2</sup>	17	13	5	75	-

- Represents zero.

<sup>1</sup>Data include utility, design, plant, and reissue applications. Country listings include possessions and territories of that country unless listed separately in the table.

<sup>2</sup>Country of origin information not available.



Registered 1951



Registered 1906

Table 10.  
Patents Issued by the United States to Residents of Foreign Countries  
(FY 1995 - FY 1999<sup>1</sup>)

Residence	1995	1996	1997	1998	1999	Residence	1995	1996	1997	1998	1999
<b>Total</b>	<b>49,679</b>	<b>50,159</b>	<b>53,682</b>	<b>68,796</b>	<b>70,047</b>	Korea, Republic of	1,175	1,428	1,828	3,052	3,477
Algeria <sup>1</sup>						Kuwait	1	2	1	4	12
Andorra	-	1	-	2	1	Latvia	-	-	-	1	2
Anguilla	-	-	-	1	-	Lebanon	1	-	1	1	3
Antigua & Barbuda	-	4	-	-	-	Liechtenstein	21	15	10	16	15
Argentina	38	28	41	41	45	Lithuania	1	-	2	1	4
Armenia	1	-	-	-	-	Luxembourg	30	35	28	47	46
Aruba	-	-	2	-	-	Macau	-	2	-	-	-
Australia	572	534	592	754	795	Malaysia	11	21	26	38	27
Austria	356	370	391	413	443	Malta	1	-	1	2	-
Azerbaijan	-	2	-	-	1	Marshall Islands	1	-	-	-	1
Bahamas	4	4	5	13	12	Mauritius	-	1	-	-	-
Bahrain	-	-	-	1	-	Mexico	43	45	48	83	79
Barbados	-	-	-	-	1	Moldova, Republic	5	5	7	9	12
Belarus	5	2	4	7	5	Monaco	2	1	-	2	1
Belgium	391	482	559	713	667	Morocco	-	-	-	-	1
Bermuda	-	3	1	1	2	Myanmar	-	-	-	-	-
Bolivia	-	1	-	1	-	Netherlands	929	882	878	1,282	1,322
Brazil	66	65	72	79	87	Netherlands Antilles	1	-	-	1	1
British Virgin Islands	-	-	-	3	2	New Caledonia	-	-	-	1	-
Bulgaria	4	1	4	2	5	New Zealand	59	71	95	135	140
Canada	2,535	2,444	2,803	3,302	3,498	Nicaragua	-	-	-	-	1
Cayman Islands	2	2	5	6	4	Nigeria	1	-	2	1	1
Chile	10	4	4	16	12	Norfolk Island	-	-	-	-	1
China (Mainland)	69	51	59	87	481	Norway	142	142	156	217	224
Colombia	3	7	8	7	4	Pakistan	2	1	1	1	1
Cook Islands	-	1	-	-	-	Paraguay	-	-	-	-	1
Costa Rica	7	10	7	2	10	Panama	-	1	1	-	-
Croatia	6	4	8	10	17	Peru	3	5	2	1	5
Cuba	-	-	4	4	4	Philippines	4	1	15	25	16
Cyprus	3	1	2	-	-	Poland	10	12	15	16	21
Czech Republic	1	3	13	15	18	Portugal	5	3	6	9	11
Czechoslovakia	16	13	9	8	7	Romania	1	6	1	-	5
Denmark	333	326	362	533	551	Russian Federation	90	111	113	175	174
Dominican Republic	1	-	-	-	3	San Marino	-	-	-	-	1
Ecuador	-	-	-	7	4	Saudi Arabia	11	11	16	12	12
Egypt	1	4	2	1	1	Singapore	53	87	111	122	134
El Salvador	1	1	1	-	-	Slovakia	-	1	2	2	6
Estonia	2	2	-	-	1	Slovenia	8	11	9	15	13
Faroe Islands	-	-	-	-	-	South Africa	137	112	112	126	115
Finland	375	408	482	576	665	Soviet Union	18	14	7	6	2
France	2,991	2,972	3,121	3,823	3,802	Spain	185	177	176	285	262
French Guiana	-	1	-	-	-	Sri Lanka	1	2	1	2	1
Georgia	1	-	1	-	-	Suriname	-	-	-	-	1
Germany	6,946	6,898	7,180	9,304	9,113	St. Kitts & Nevis	-	1	-	2	-
Ghana	1	-	-	-	1	St. Vincent/The Grenadines	-	-	-	-	-
Greece	11	13	14	17	21	Sweden	905	904	996	1,258	1,368
Guadeloupe	-	-	-	-	-	Switzerland	1,236	1,141	1,176	1,339	1,310
Guatemala	-	2	1	2	2	Syrian Arab Rep	-	-	-	-	1
Haiti	-	-	1	-	1	Taiwan	2,026	2,300	2,490	3,543	4,105
Honduras	2	1	1	1	5	Thailand	10	8	16	14	23
Hong Kong	238	237	255	361	-	Trinidad & Tobago	2	2	-	3	1
Hungary	43	46	32	46	38	Tunisia	-	-	-	1	-
Iceland	3	3	4	6	10	Turkey	3	2	5	3	2
India	39	37	43	80	109	Turks and Caicos Islands	-	-	1	1	-
Indonesia	8	2	12	9	4	Uganda	-	-	-	-	-
Iran	3	-	-	1	1	Ukraine	9	14	11	15	16
Ireland	56	84	77	74	104	United Arab Emirates	-	1	1	1	-
Israel	440	475	573	760	748	United Kingdom	2,642	2,668	2,787	3,548	3,686
Italy	1,273	1,338	1,422	1,754	1,595	Uruguay	2	2	4	3	4
Jamaica	2	-	1	1	1	Uzbekistan	-	2	-	1	-
Japan	22,991	22,979	24,314	30,490	30,425	Venezuela	33	31	20	30	40
Jordan	-	-	5	2	2	Vietnam	-	-	-	-	1
Kazakhstan	1	-	-	2	1	Yemen	-	-	-	-	-
Kenya	1	2	1	1	2	Yugoslavia	7	9	4	5	3
Korea, Dem. Republic of	-	-	-	-	-	Zaire	-	-	1	-	-
						Zimbabwe	1	1	-	-	1

- Represents zero.

<sup>1</sup>Data include utility, design, plant, and reissue patents. Country listings include possessions and territories of that country unless separately listed in the table.

Table 11.  
**Statutory Invention Registrations (SIRs)  
Published**

(FY 1995 - FY 1999)

Assignee	1995	1996	1997	1998	1999
<b>Total</b>	<b>130</b>	<b>104</b>	<b>83</b>	<b>68</b>	<b>53</b>
Air Force	6	6	5	4	1
Army	20	16	5	-	4
Energy	6	2	-	1	1
Navy	17	9	11	6	8
USA <sup>1</sup>	4	5	5	1	2
Other Than U.S. Government	77	66	57	56	37

- Represents zero.

<sup>1</sup>United States of America—no agency indicated in database.

Table 12.  
**U.S. Government Agency Patents<sup>1</sup>**

(FY 1990 - FY 1999)

Agency	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
<b>Total</b>	<b>897</b>	<b>1,137</b>	<b>1,185</b>	<b>1,153</b>	<b>1,225</b>	<b>1,135</b>	<b>921</b>	<b>923</b>	<b>1,013</b>	<b>955</b>	<b>10,544</b>
Agriculture	44	52	48	57	38	44	48	39	68	79	517
Air Force	107	126	138	126	130	104	101	78	81	83	1,074
Army	145	129	172	147	194	163	138	169	160	146	1,563
Commerce	9	15	17	21	28	35	22	21	16	20	204
Energy	203	218	218	193	201	146	60	70	69	48	1,426
EPA	5	5	4	7	5	4	7	9	2	4	52
FCC	-	-	-	-	-	-	-	-	-	1	1
HEW/HHS	35	46	67	88	99	96	110	144	148	153	986
Interior	8	14	23	9	10	13	20	6	3	6	112
Library of Congress	-	-	-	-	-	1	1	-	-	-	2
NASA	125	124	166	155	148	157	102	92	104	87	1,260
Navy	200	384	314	333	360	352	299	279	347	306	3,174
NSA	2	3	3	5	6	4	3	1	3	7	37
Postal Service	-	1	-	-	-	1	1	1	-	-	4
State Department	-	-	-	-	-	1	-	-	-	-	1
Transportation	-	2	-	2	1	-	-	-	3	1	9
Treasury	-	-	-	-	-	-	-	1	-	-	1
TVA	9	8	5	1	2	5	4	4	2	6	46
USA <sup>2</sup>	5	10	10	9	3	9	5	9	7	8	75

- Represents zero.

<sup>1</sup>Data in this table represent utility patents assigned to agencies at the time of patent issue.<sup>2</sup>United States of America — no agency indicated in database.

Table 13.  
**Reexamination**

(FY 1995 - FY 1999)

Activity	1995	1996	1997	1998	1999
<b>Requests filed, total</b>	<b>392</b>	<b>418</b>	<b>376</b>	<b>350</b>	<b>385</b>
By patent owner	138	194	157	168	173
By third party	253	223	215	178	181
Commissioner ordered	1	1	4	4	31
<b>Determinations on requests, total</b>	<b>398</b>	<b>414</b>	<b>391</b>	<b>348</b>	<b>367</b>
Requests granted:					
By examiner	372	386	357	315	327
By petition	-	8	4	2	1
Requests denied	26	20	30	31	39
<b>Requests known to have related litigation</b>	<b>100</b>	<b>89</b>	<b>65</b>	<b>66</b>	<b>62</b>
<b>Filings by discipline, total</b>	<b>392</b>	<b>418</b>	<b>376</b>	<b>350</b>	<b>385</b>
Chemical	101	127	123	120	138
Electrical	131	127	100	94	107
Mechanical	160	164	153	136	140

- Represents zero.

Table 14.  
**Summary of Contested Patent Cases**

(Within the Patent and Trademark Office, as of September 30, 1999)

Item	Total
<b>EX PARTE CASES</b>	
<b>Appeals<sup>1</sup>:</b>	
Cases pending as of 9/30/98	8,889
Cases filed during FY 99	4,040
<b>Disposals during FY 99, total</b>	<b>5,767</b>
Decided, total	4,585
Affirmed	1,311
Affirmed-in-part	504
Reversed	1,588
Other disposals, total	1,182
Dismissed/withdrawn	175
Remanded	1,007
<b>Cases pending as of 9/30/99</b>	<b>8,344</b>
<b>RECONSIDERATIONS</b>	
Cases pending as of 9/30/99	34
<b>INTER PARTES CASES</b>	
<b>Inter partes cases, FY 99, total</b>	<b>524</b>
Cases pending as of 9/30/98	433
Cases declared or reinstated during FY 99	91
Cases terminated during FY 99	187
Cases pending as of 9/30/99	337

<sup>1</sup>Jurisdiction of an appeal passes to the Board of Patent Appeals and Interferences after the examiner has written the answer and after the time for filing a reply brief to the answer has passed.

**Table 15.**  
**Summary of Trademark Examining Activities**  
(FY 1995 - FY 1999)

Item	1995	1996	1997	1998	1999
<b>Applications for registration:</b>					
Applications filed	150,508	170,783	188,080	193,034	240,308
Applications including additional classes <sup>1</sup>	175,307	200,640	224,355	232,384	295,165
<b>Disposal of trademark applications:</b>					
Registrations	75,372	91,339	112,509	106,279	104,324
Abandonments	42,214	49,189	64,409	71,838	77,184
Trademark first actions	176,764	198,160	226,651	238,191	338,937
Applications approved for publication	118,727	127,481	149,721	145,209	181,366
<b>Certificates of registration issued, total</b>					
1946 Act principal register	65,662	78,674	97,294	89,634	87,774
Principal register:	44,531	56,022	60,416	56,730	57,046
ITU-Statements of Use register	18,513	19,683	33,131	29,287	26,810
1946 Act supplemental register	2,618	2,969	3,747	3,617	3,918
Total active certificates of registration (as of 9/30)	751,783	784,667	839,071	901,805	931,273
<b>Renewal of registration:</b>					
Applications filed	7,220	7,543	6,720	7,413	7,944
Registrations renewed	6,785	7,346	7,389	6,504	6,280
<b>Affidavits, Sec. 8/15:</b>					
Affidavits filed	23,497	22,169	20,781	33,231	33,104
Affidavits disposed	17,935	33,661	24,533	26,199	29,119
<b>Affidavits for benefits under Sec. 12(c):</b>					
Affidavits filed	3	6	2	-	-
Published under Sec. 12(c)	4	11	11	8	3
Amendments to Allege Use filed	5,169	6,232	7,292	6,955	3,554
Statements of Use filed	19,869	25,388	31,784	37,060	34,367
Notices of Allowance issued	51,473	71,117	80,693	78,072	82,940
<b>Pendency—average months:</b>					
Between filing and examiner's first action	5.3	5.9	6.4	702	4.6
Between filing, registration (Use Applications) abandonments, and NOAs	16.7	16.5	16.9	17.8	18.9
Between filing and issuing a NOA (Intent to Use applications)	16.4	15.9	16.3	17.8	18.9

- Represents zero.

<sup>1</sup>“Applications filed” refers simply to the number of individual trademark applications received by the PTO. There are, however, 47 different classes of items in which a trademark may be registered. An application must request registration in at least one class, but may request registration in multiple classes. Each class application must be individually researched for registerability. “Applications filed, including additional classes” reflects this fact, and therefore more accurately reflects the trademark business workload.

Table 16.  
**Trademark Applications Filed for Registration and Renewal and Trademark Affidavits Filed**  
(FY 1980 - FY 1999)

Year	For registration	For renewal	Section 8 affidavit	Section 12(c) affidavit
1980	52,149	5,892	13,633	85
1981	55,152	5,693	17,071	40
1982	73,621	5,760	15,068	55
1983	51,014	5,438	12,544	46
1984	61,480	5,926	13,519	5
1985	64,677	5,275	8,823	29
1986	69,253	5,660	8,519	19
1987	70,002	5,871	16,644	34
1988	76,813	6,763	18,316	23
1989	83,169	6,127	17,986	104
1990	127,294	6,602	20,636	5
1991	120,365	5,634	25,763	1
1992	125,237	6,355	20,982	25
1993	139,735	7,173	21,999	5
1994	155,376	7,004	20,850	4
1995	175,307	7,346	23,497	3
1996	200,640	7,543	22,169	6
1997	224,355	6,720	20,781	2
1998	232,384	7,413	33,231	-
<b>1999</b>	<b>295,165</b>	<b>7,944</b>	<b>33,104</b>	-

- Represents zero.

Table 17.  
**Summary of Pending Trademark Applications**  
(As of September 30, 1999)

Stage of processing	Applications	Classes
<b>Pending applications, total</b>	<b>444,616</b>	<b>547,660</b>
<b>In preexamination processing</b>	<b>84,806</b>	<b>85,538</b>
<b>Under examination, total</b>	<b>265,941</b>	<b>345,167</b>
<b>Applications under initial examination</b>	<b>151,965</b>	<b>196,125</b>
Amended, awaiting action by Examiner	137,613	179,411
Awaiting first action by Examiner	14,352	16,714
<b>ITU applications pending Use</b>	<b>78,431</b>	<b>100,646</b>
<b>Applications under second examination</b>	<b>6,101</b>	<b>8,031</b>
Administrative processing of Statements of Use	921	1,115
Undergoing second examination	1,384	1,680
Amended, awaiting action by Examiner	3,796	5,236
<b>Other pending applications<sup>1</sup></b>	<b>29,444</b>	<b>40,365</b>
<b>In postexamination processing</b>	<b>93,869</b>	<b>116,955</b>
(Includes all application in all phases of publication and issue and registration)		

<sup>1</sup>Includes applications pending before the Trademark Trial and Appeal Board and suspended cases.

Table 18.  
**Trademarks Registered, Renewed, and Published Under Section 12(c)<sup>1</sup>**

(FY 1980 - FY 1999)

Year	Certificates of registration issued	Renewed	Published under 12(c)
1980	14,614	5,862	54
1981	31,306	5,884	77
1982	39,025	6,070	71
1983	41,179	5,695	74
1984	45,475	5,678	22
1985	63,122	5,177	27
1986	48,971	5,550	29
1987	47,522	4,415	24
1988	46,704	5,884	29
1989	51,802	9,209	84
1990	56,515	7,122	19
1991	43,152	6,416	19
1992	62,067	5,733	13
1993	74,349	6,182	21
1994	59,797	6,136	11
1995	65,662	6,785	4
1996	78,674	7,346	11
1997	97,294	7,389	11
1998	89,634	6,504	8
<b>1999</b>	<b>87,774</b>	<b>6,280</b>	<b>3</b>

<sup>1</sup>Includes withdrawn numbers.



Registered 1916

Table 19.  
**Trademark Applications Filed by Residents of the United States**  
(FY 1999)

State/territory	1999	State/territory	1999	State/territory	1999
<b>Total</b>	<b>250,616</b>	Kentucky	1,303	Oklahoma	1,260
Alabama	1,337	Louisiana	1,112	Oregon	2,588
Alaska	189	Maine	652	Pennsylvania	7,837
Arizona	4,214	Maryland	4,526	Rhode Island	945
Arkansas	673	Massachusetts	9,004	South Carolina	1,344
California	54,859	Michigan	5,417	South Dakota	323
Colorado	6,002	Minnesota	5,246	Tennessee	3,104
Connecticut	5,034	Mississippi	408	Texas	13,932
Delaware	3,506	Missouri	3,838	Utah	2,647
District of Columbia	2,135	Montana	325	Vermont	572
Florida	13,331	Nebraska	886	Virginia	5,674
Georgia	6,307	Nevada	2,353	Washington	5,604
Hawaii	654	New Hampshire	1,226	West Virginia	306
Idaho	593	New Jersey	9,243	Wisconsin	3,154
Illinois	12,224	New Mexico	688	Wyoming	265
Indiana	2,765	New York	26,603	Puerto Rico	199
Iowa	1,210	North Carolina	4,095	Virgin Islands	24
Kansas	1,268	North Dakota	267	U.S. Pacific Islands <sup>1</sup>	17
		Ohio	7,285	United States <sup>2</sup>	43

<sup>1</sup>Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

<sup>2</sup>No State indicated in database, includes APO filings.

Table 20.  
**Trademarks Registered to Residents of the United States**  
(FY 1999)

State/territory	1999	State/territory	1999	State/territory	1999
<b>Total</b>	<b>76,355</b>	Kentucky	346	Oklahoma	345
Alabama	321	Louisiana	251	Oregon	721
Alaska	54	Maine	167	Pennsylvania	1,949
Arizona	701	Maryland	1,013	Rhode Island	266
Arkansas	198	Massachusetts	1,844	South Carolina	297
California	8,736	Michigan	1,460	South Dakota	70
Colorado	1,132	Minnesota	1,561	Tennessee	583
Connecticut	797	Mississippi	115	Texas	2,633
Delaware	15,797	Missouri	1,047	Utah	622
District of Columbia	514	Montana	93	Vermont	167
Florida	2,801	Nebraska	220	Virginia	995
Georgia	1,365	Nevada	1,066	Washington	1,263
Hawaii	156	New Hampshire	246	West Virginia	67
Idaho	158	New Jersey	1,777	Wisconsin	986
Illinois	2,989	New Mexico	163	Wyoming	69
Indiana	870	New York	5,219	Puerto Rico	36
Iowa	409	North Carolina	1,084	Virgin Islands	4
Kansas	338	North Dakota	59	U.S. Pacific Islands <sup>1</sup>	4
		Ohio	2,106	United States <sup>2</sup>	8,105

<sup>1</sup>Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

<sup>2</sup>No State indicated in database. When a trademark is registered, the trademark database is corrected to indicate the home state of the entity registering the trademark.

Table 21.  
Trademark Applications Filed by Residents of Foreign Countries

(FY 1995- FY 1999)

Residence	1995	1996	1997	1998	1999	Residence	1995	1996	1997	1998	1999
<b>Total</b>	<b>23,084</b>	<b>26,303</b>	<b>33,080</b>	<b>36,249</b>	<b>44,549</b>	Guyana	-	5	3	-	2
Andorra	-	1	7	5	7	Hague	-	-	3	-	-
Angola	-	-	-	-	1	Haiti	1	-	4	5	3
Anguilla	1	9	4	5	4	Honduras	-	-	7	15	3
Antigua & Barbuda	1	-	7	-	6	Hong Kong	456	456	437	478	625
Argentina	80	106	98	126	142	Hungary	12	27	15	11	21
Armenia	-	-	-	-	3	Iceland	6	8	8	24	26
Aruba	-	12	5	4	7	India	39	69	93	78	123
Australia	625	663	922	1,018	1,423	Indonesia	5	38	37	29	23
Austria	169	192	226	343	500	Iran	29	65	77	-	-
Bahamas	36	86	67	95	101	Ireland	127	139	252	223	386
Bahrain	1	3	2	-	4	Isle of Man	11	12	108	41	28
Barbados	29	23	35	14	88	Israel	247	257	333	431	621
Belarus	2	-	1	3	-	Italy	1,303	1,251	1,557	1,562	1,868
Belgium	184	269	278	321	409	Jamaica	23	34	10	40	33
Belize	7	2	1	4	8	Japan	1,974	2,153	2,845	2,883	3,028
Benelux Convention	4	26	13	-	-	Jordan	10	3	4	2	28
Bermuda	53	81	186	97	148	Kazakhstan	-	-	1	-	-
Bolivia	2	-	1	1	1	Kenya	1	1	3	2	-
Brazil	109	157	191	209	211	Korea, Dem. Republic of	20	8	10	1	5
British Virgin Islands	128	92	159	235	232	Korea, Republic of	370	371	419	436	498
Brunei	-	-	1	15	-	Kuwait	2	2	4	2	8
Bulgaria	-	10	2	4	13	Latvia	-	-	7	2	3
Burundi	-	-	-	2	-	Laos	-	-	1	-	-
Cambodia	-	-	1	7	7	Lebanon	1	1	1	2	14
Cameroon	-	-	-	3	-	Liberia	-	-	3	2	2
Canada	4,721	5,180	6,063	6,499	7,889	Liechtenstein	42	70	47	100	110
Cayman Islands	20	37	65	64	50	Lithuania	-	1	-	-	-
Central African Republic	1	-	-	-	-	Luxembourg	32	93	120	113	137
Channel Islands	36	53	75	42	-	Macau	2	2	4	7	2
Chile	31	43	58	58	101	Macedonia	-	4	2	-	1
China (mainland)	116	128	308	331	301	Malaysia	39	22	49	46	42
Christmas Island	-	-	2	-	-	Mali	1	-	-	-	-
Colombia	57	40	72	57	79	Malta	1	-	3	3	1
Comoros	-	-	-	1	-	Marshall Islands	-	-	-	1	-
Cook Islands	-	4	3	3	-	Martinique	-	-	6	-	-
Costa Rica	15	18	26	21	11	Mauritania	-	-	-	1	-
Croatia	1	1	1	11	2	Mauritius	3	-	-	1	18
Cuba	10	17	5	2	-	Mayotte	-	-	-	-	1
Cyprus	2	9	9	28	31	Mexico	488	566	669	677	852
Czechoslovakia	43	39	38	26	30	Micronesia	-	-	-	1	-
Denmark	176	281	260	348	382	Monaco	24	53	39	87	104
Djibouti	-	-	-	3	-	Mongolia	-	-	3	-	-
Dominica	11	9	8	5	-	Morocco	1	-	1	2	7
Dominican Republic	38	53	59	59	65	Myanmar	-	5	3	-	-
Ecuador	9	20	25	28	19	N. Mariana Island	1	2	1	-	2
Egypt	5	2	1	5	2	Nauru	-	2	-	-	-
El Salvador	2	2	7	12	9	Navassa Island	1	-	-	-	-
EPO	-	1	-	1	1	Netherlands	709	904	1,062	1,207	1,472
Estonia	-	-	1	-	7	Netherlands Antilles	63	30	77	39	97
Fiji	-	1	3	3	3	New Caledonia	-	-	-	-	4
Finland	194	186	181	219	340	New Hebrides	-	-	-	2	-
France	1,723	2,081	2,483	3,095	3,695	New Zealand	104	163	162	218	314
French Polynesia	2	-	2	3	2	Newfoundland	-	-	-	-	2
French South/Antarctic	-	-	-	1	-	Nicaragua	4	1	5	4	2
Gabon	-	-	1	-	-	Nigeria	1	1	1	-	-
Georgia	-	-	-	11	7	Norway	59	97	133	240	226
Germany	2,655	3,124	4,080	4,519	6,307	Oman	1	-	-	-	-
Ghana	-	-	1	2	5	Pakistan	5	1	5	2	10
Gibraltar	4	8	-	6	48	Panama	27	16	30	28	46
Greece	28	28	16	22	30	Papua New Guinea	2	-	-	-	-
Greenland	5	2	-	-	-	Paraguay	2	3	2	1	4
Grenada	-	1	-	2	1	Peru	19	14	6	7	10
Guadeloupe	-	3	-	4	-	Philippines	29	11	27	17	19
Guatemala	8	3	7	7	18	Pitcairn Islands	-	3	-	-	-
Guinea	-	-	-	-	1						

Table 21. (Cont'd)  
**Trademark Applications Filed by Residents of Foreign Countries**  
(FY 1995- FY 1999)

Residence	1995	1996	1997	1998	1999	Residence	1995	1996	1997	1998	1999
Poland	25	22	20	24	26	Switzerland	1,134	1,155	1,566	1,674	2,032
Portugal	28	35	57	57	95	Taiwan	508	563	724	774	961
Qatar	-	1	-	-	1	Tajikistan	-	-	-	1	-
Reunion	-	-	3	-	-	Tanzania	-	-	-	2	-
Romania	1	-	7	3	9	Thailand	17	43	34	38	88
St. Kitts & Nevis	-	-	-	1	-	Tokelau	-	1	2	-	-
Saint Pierre/Mique	-	2	2	-	-	Tonga	-	-	-	1	-
Saint Vincent/Grenadines	-	-	-	-	12	Trinidad & Tobago	20	4	10	9	8
Samoa	-	3	2	-	2	Tunisia	7	1	7	-	1
San Marino	1	-	1	4	-	Turkey	18	19	43	61	46
Saudi Arabia	9	15	5	21	10	Turks and Caicos Islands	1	9	10	2	6
Scotland	75	92	64	82	105	Uganda	2	12	1	-	-
Seychelles	-	5	1	1	11	Ukraine	-	2	-	2	1
Sierra Leone	1	4	-	-	-	United Arab Emirates	5	14	13	6	19
Singapore	138	110	203	161	186	United Kingdom	2,384	2,926	3,784	4,265	5,056
Slovakia	5	3	2	8	-	Uruguay	6	11	2	16	22
Slovenia	5	7	15	9	10	Uzbekistan	1	1	-	-	-
Solomon Islands	1	-	-	-	-	Vanuatu	-	-	-	-	3
Somalia	4	-	-	-	-	Venezuela	51	40	57	53	50
South Africa	87	84	144	142	169	Vietnam	1	5	1	7	5
Russian Federation	59	35	52	46	110	Yemen	-	-	2	-	-
Spain	338	426	658	690	694	Yugoslavia	1	2	9	1	-
Sri Lanka	2	3	6	8	3	Yukon Territory	-	-	-	-	1
Sudan	-	1	-	-	-	Zaire	-	1	-	-	-
Suriname	-	-	-	-	1	Zambia	-	-	-	-	1
Swaziland	-	-	1	33	5	Zimbabwe	2	1	8	-	3
Sweden	506	575	798	961	1,213	Other <sup>1</sup>	-	-	-	3	2

- Represents zero.

<sup>1</sup>Country of Origin information not available or not indicated in database, includes ARIPO filings.

Table 22.  
Trademarks Registered to Residents of Foreign Countries  
(FY 1995 - FY 1999)

Residence	1995	1996	1997	1998	1999	Residence	1995	1996	1997	1998	1999
<b>Total</b>	<b>7,822</b>	<b>9,536</b>	<b>11,460</b>	<b>11,655</b>	<b>11,419</b>	Iran	5	5	5	2	8
Algeria	-	-	-	-	1	Ireland	27	43	51	83	69
Andorra	-	-	-	-	1	Isle of Man	2	1	4	6	13
Anguilla	2	1	-	4	2	Israel	83	132	151	170	129
Antigua & Barbuda	3	3	6	6	2	Italy	486	517	771	638	644
Argentina	23	29	46	57	36	Jamaica	4	7	16	14	16
Australia	177	199	289	343	312	Japan	740	841	1,017	937	1,034
Austria	68	72	93	75	101	Jordan	-	1	1	2	2
Azerbaijan	-	-	-	1	-	Kenya	3	2	1	2	2
Bahamas	18	11	14	32	21	Korea, Dem. Republic of	-	2	2	1	-
Bahrain	-	-	-	-	1	Korea, Republic of	108	183	172	132	159
Bangladesh	-	-	-	-	1	Kuwait	-	1	-	3	3
Barbados	10	8	4	6	11	Latvia	-	-	-	6	4
Belarus	-	-	-	1	-	Lebanon	3	4	3	5	2
Belgium	67	96	80	97	120	Liberia	5	4	2	5	3
Belize	-	1	1	-	1	Liechtenstein	15	20	35	23	21
Benelux Convention	-	-	-	-	2	Lithuania	-	-	-	-	2
Bermuda	15	27	40	38	43	Luxembourg	11	9	26	34	20
Bolivia	-	-	-	-	-	Macau	1	1	-	1	1
Bosnia & Herzegovina	-	-	-	1	-	Malaysia	8	5	6	19	10
Brazil	60	53	61	59	66	Marshall Islands	2	-	-	-	1
British Virgin Islands	33	33	35	42	64	Mauritius	-	-	-	1	-
Bulgaria	-	-	2	-	2	Mexico	142	183	220	276	257
Cambodia	-	1	-	-	-	Moldova	-	-	-	1	-
Canada	1,438	1,722	2,059	2,161	2,052	Monaco	5	9	13	19	9
Cayman Islands	12	18	27	30	37	Morocco	-	-	5	-	1
Central African Rep.	-	-	-	-	1	Myanmar	-	-	-	-	1
Channel Islands	1	4	7	8	14	M. Mariana Island	-	-	-	-	1
Chile	17	18	14	33	39	Netherlands	231	303	362	300	342
China (mainland)	45	60	81	101	132	Netherlands Antilles	14	19	15	15	6
Colombia	18	28	37	27	32	New Zealand	37	43	61	44	68
Comoros	-	-	-	-	1	Nicaragua	1	2	2	1	2
Cook Islands	8	1	5	2	1	Nigeria	1	7	-	2	2
Costa Rica	9	12	10	7	11	Norway	34	48	44	41	53
Croatia	-	-	-	1	1	Oman	1	-	1	-	-
Cuba	1	7	6	10	7	Pakistan	4	6	6	1	1
Cyprus	5	4	2	4	4	Panama	15	23	26	24	24
Czechoslovakia	6	6	2	12	5	Papua New Guinea	-	3	-	-	-
Denmark	79	78	105	138	105	Paraguay	-	-	2	-	2
Dominica	2	-	1	-	-	Peru	3	6	8	12	7
Dominican Republic	7	11	16	14	18	Philippines	7	4	13	10	13
Ecuador	12	7	8	4	12	Poland	3	20	7	9	7
Egypt	-	1	2	2	2	Portugal	8	18	27	25	27
El Salvador	5	5	6	4	3	Romania	1	1	3	1	1
Faroe Islands	-	-	-	1	-	St. Kitts & Nevis	-	2	1	-	-
Fiji	-	1	1	1	1	Saint Lucia	-	1	-	-	-
Finland	65	82	106	71	62	San Marino	-	1	-	-	-
France	754	907	966	942	943	Saudi Arabia	2	6	4	2	8
French Polynesia	-	2	-	-	2	Scotland	1	3	3	1	1
Georgia	-	-	-	1	1	Senegal	1	-	1	1	-
Germany	821	1,004	1,268	1,325	1,393	Sierra Leone	-	-	1	-	-
Ghana	-	2	2	-	-	Singapore	33	45	60	49	34
Gibraltar	1	2	5	2	1	Slovakia	-	-	-	1	3
Greece	11	18	9	15	6	Slovenia	-	-	-	8	3
Greenland	-	1	-	-	-	South Africa	33	35	36	54	41
Grenada	-	-	1	-	-	Russian Federation	-	1	2	8	14
Guatemala	4	2	3	7	7	Spain	154	200	222	279	280
Guyana	1	4	-	-	1	Spratly Islands	5	3	5	-	-
Hague	-	1	-	-	-	Sri Lanka	7	3	6	3	4
Haiti	-	1	1	2	1	Swaziland	-	-	-	-	1
Honduras	6	4	-	2	1	Sweden	169	228	239	238	208
Hong Kong	127	168	163	169	146	Switzerland	327	460	495	492	445
Hungary	8	9	5	8	5	Syria	2	1	-	-	-
Iceland	5	3	3	4	6	Taiwan	234	285	342	367	299
India	21	32	30	49	54	Thailand	20	9	12	20	15
Indonesia	7	13	7	15	16						

Table 22. (Cont'd)  
**Trademarks Registered to Residents of Foreign Countries**  
(FY 1995 - FY 1999)

Residence	1995	1996	1997	1998	1999	Residence	1995	1996	1997	1998	1999
Trinidad & Tobago	7	7	12	7	6	Vatican City	-	-	1	-	1
Tunisia	-	-	-	1	1	Venezuela	17	20	29	19	24
Turkey	6	4	9	12	13	Vietnam	1	2	1	2	4
Turks and Caicos Islands	1	3	2	2	11	Western Samoa	1	-	-	-	-
United Arab Emirates	-	2	2	6	4	Yemen	-	-	-	2	-
United Kingdom	799	957	1,248	1,264	1,108	Yugoslavia	4	3	1	1	3
Uruguay	6	4	12	2	1	Zimbabwe	3	1	-	-	-
Vanuatu	-	-	-	1	-	Other <sup>1</sup>	6	3	7	14	7

- Represents zero.

<sup>1</sup>Country of origin information not available.

Table 23.  
**Summary of Contested Trademark Cases**

(Within the Patent and Trademark Office, as of September 30, 1999)

Activity	Ex parte	Cancellations	Use	Interference	Opposition	Total
<b>Cases pending as of 9/30/98</b>	<b>3,458</b>	<b>1,968</b>	<b>65</b>	-	<b>6,234</b>	<b>11,725</b>
Cases filed during FY 1999	2,123	1,557	33	-	3,940	7,653
Disposals during FY 1999, total	1,122	1,312	21	-	4,029	6,484
Before hearing	705	1,288	21	-	3,910	5,924
After hearing	417	24	-	-	119	560
<b>Cases pending as of 9/30/99, total</b>	<b>4,459</b>	<b>2,213</b>	<b>77</b>	-	<b>6,145</b>	<b>12,894</b>
Awaiting decision	223	12	-	-	85	320
In process before hearing <sup>1</sup>	4,236	2,201	77	-	6,060	12,574
Requests for extension of time to oppose					28,337	

- Represents zero.

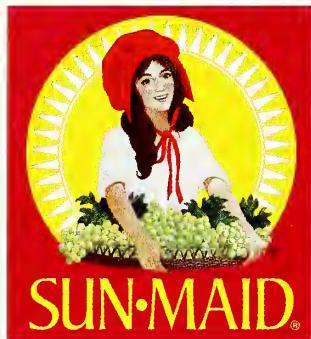
<sup>1</sup>Includes suspended cases.

Registered 1970

**Table 24.**  
**Actions on Petitions to the Commissioner of Patents and Trademarks**  
(FY 1995 - FY 1999)

Nature of petition	1995	1996	1997	1998	1999
<b>PATENT MATTERS</b>					
<b>Actions on patent petitions, total</b>	<b>34,840</b>	<b>34,840</b>	<b>34,556</b>	<b>33,353</b>	<b>13,003</b>
Acceptance of:					
Amendments filed after payment of issue fee	45	52	71	35	19
Late assignments	66	59	245	691	69
Late issue fees	908	878	685	-	-
Late priority papers	70	66	65	62	46
Access	1	9	17	16	9
Certificates of correction	16,502	15,564	16,691	16,044	17,583
Deferment of issue	23	26	24	22	52
Filing date	2,748	2,302	1,442	926	529
Interference	-	1	-	-	3
Make special:					
Infringement/manufacture	158	28	1	4	-
Other	1,056	1,234	1,179	1,328	1502
Miscellaneous	2,731	2,639	4,554	2690	920
Maintenance fees	780	822	970	976	1474
Public use	7	5	9	-	-
Reexamination proceedings	71	62	42	39	17
Restriction	59	88	54	73	75
Revivals	4,144	3,315	2826	3,466	4158
Rule 47 (37 CFR 1.47)	306	530	407	419	407
Supervisory authority	598	967	551	2,491	66
Suspend rules	791	727	838	724	861
Withdrawal of attorney	659	786	669	870	-
Withdrawal from issue	635	680	761	385	862
Change of inventorship	829	778	323	127	80
Withdrawals of holding of aband./pat. lapse	1,653	1,871	2,132	1,965	1854
<b>TRADEMARK MATTERS</b>					
<b>Actions on trademark petitions, total</b>	<b>2,226</b>	<b>3,019</b>	<b>4,657</b>	<b>4,479</b>	<b>5,863</b>
Affidavits of use and extensions	118	80	128	192	168
Decision by examiner	8	12	12	7	3
Filing date restoration	-	397	1,408	634	1,402
Grant application filing date	111	51	61	55	656
Inadvertently issued registrations	178	214	237	197	253
Interferences	-	1	1	1	-
Make special	92	116	104	124	160
Miscellaneous	12	10	28	170	76
Oppositions and extensions	13	20	15	9	30
Record documents affecting title	-	1	4	2	2
Reinstatements	700	1,175	1,501	1,307	1,501
Restore jurisdiction to examiner	12	46	1	3	10
Review board decisions	2	15	21	3	40
Revive	839	762	977	1,552	1,262
Sections 7 correction/amendment	7	7	10	5	14
Section 9 renewal	6	1	7	4	6
Section 8 or 15	32	36	70	32	17
Waive fees/refunds	96	75	72	182	127
Section 44(e) Amendment	-	-	-	-	131
Review Letter of Protest Decision	-	-	-	-	5
<b>PETITIONS AWAITING ACTION AS OF 9/30</b>					
Patent matters	976	872	3,779	2,589	2,389
Trademark petitions awaiting response	36	25	56	74	22
Trademark petitions awaiting action	97	180	560	69	651

- Represents zero.



Registered 1917



Registered 1909

Table 25.  
Cases in Litigation

(Selected Courts of the United States, as of September 30, 1999)

Item	Patents	Trade-marks	Total
<b>UNITED STATES DISTRICT COURTS</b>			
Civil actions pending as of 9/30/98	12	2	14
Filed during FY 99	18	3	21
<b>Disposals, total</b>	<b>16</b>	<b>2</b>	<b>18</b>
Affirmed	2	1	3
Remanded	2	-	2
Dismissed	12	1	13
<b>Civil actions pending as of 9/30/99, total</b>	<b>14</b>	<b>3</b>	<b>17</b>
<b>UNITED STATES COURTS OF APPEALS<sup>1</sup></b>			
<b>Ex parte cases:</b>			
Cases pending as of 9/30/98	34	4	38
Cases filed during FY 98	46	5	51
<b>Disposals, total</b>	<b>61</b>	<b>6</b>	<b>67</b>
Affirmed	25	3	28
Reversed	4	-	4
Remanded	18	2	20
Dismissed	10	1	11
Examiner testimony	2	-	2
Denied	1	-	1
Dismissed	1	-	1
<b>Ex parte cases pending as of 9/30/99</b>	<b>19</b>	<b>3</b>	<b>22</b>
<b>Inter partes cases:</b>			
Cases pending as of 9/30/98	53	110	163
Cases filed during FY 99	5	13	18
<b>Disposals, total</b>	<b>6</b>	<b>10</b>	<b>16</b>
Affirmed	2	1	3
Modified	1	1	2
Reversed	1	-	1
Remanded	-	1	1
Dismissed	2	7	9
<b>Inter partes cases pending as of 9/30/99</b>	<b>52</b>	<b>113</b>	<b>165</b>
<b>United States Courts of Appeals cases, pending as of 9/30/99 total</b>	<b>71</b>	<b>116</b>	<b>187</b>
<b>SUPREME COURT</b>			
<b>Ex parte cases:</b>			
Cases pending as of 9/30/98	-	-	-
Cases filed during FY 99	2	-	2
<b>Disposals, total</b>	<b>2</b>	<b>-</b>	<b>2</b>
Certiorari denied	1	-	1
Certiorari granted-reversed	1	-	1
<b>Cases pending as of 9/30/99, total</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Jurisdictions, FY 99, total	1,602	2,266	3,868

- Represents zero.

<sup>1</sup>Includes Federal Circuit and others.

Table 26.  
**Patent Classification Activity**

(FY 1995 - FY 1999)

Activity	1995	1996	1997	1998	1999
Original patents professionally reclassified—completed projects	104,078	125,296	114,895	100,474	82,944
Subclasses established	4,364	5,091	6,789	3,569	2,433
<b>Reclassified patents clerically processed, total</b>	<b>695,955</b>	<b>499,101</b>	<b>417,866</b>	<b>393,985</b>	<b>193,309</b>
Original U.S. patents	129,642	122,706	141,518	119,425	62,584
Cross-reference U.S. patents	271,478	245,412	234,370	189,957	97,615
Foreign patents	294,835	130,983	41,978	84,603	33,110

Table 27.  
**Scientific and Technical Information Center Activity**

(FY 1999)

Activity	1999
<b>LITERATURE COLLECTIONS AND SERVICES</b>	
Additions to the literature collections:	
Books purchased	3,931
Journal subscriptions purchased	1,138
Journal issues received	27,708
Full text electronic journal titles available	5,863
CD-ROM products purchased	244
Microfilm backfiles purchased	-
Literature services provided:	
Documents circulated*	30,745
Interlibrary loans processed	37,832
Online commercial database searches	10,024
Sequence searches completed	6,721
Number of sequences searched	47,450
Reference questions completed	18,375
<b>FOREIGN DOCUMENT COLLECTIONS AND SERVICES</b>	
Additions to the foreign patent document collections:	
Microfilm reels	160
Microfiche	61,908
CD-ROM	1,312
Documents in paper form (unique)	115,068
Journals	1,954
Foreign document services provided:	
Words of foreign material translated (written)	22,901,508
Documents orally translated	7,300
Copies of foreign patents provided:	
Self-service copies (from FPAS CD-ROM)	2,731
Copies purchased by the public	2,948
Copies provided to PTO staff	8,339
Microfilm reels furnished for copying	61,762
Online and manual searches complete	3,193
Reference questions completed	10,117

- Represents zero.

\* The Library is now measuring library use of documents as well as documents checked out.

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**Funding source:** PTO is funded entirely through user fees

### ***Statutory authorities:***

15 U.S.C. 1051-1127 contain provisions of the Trademark Act of 1946 that govern the administration of the trademark registration system.

15 U.S.C. 1511 places the PTO under the jurisdiction and supervision of the Department of Commerce.

35 U.S.C. contains basic authorities for administering patent law, derived from the Act of July 19, 1952, and subsequent acts. Revenues from fees are available to the PTO to the extent provided in appropriations acts.

44. U.S.C. 1337-1338 contain the PTO's authority to print patents, trademarks, and other matters related to the PTO's business.



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